

MICHIGAN DEPARTMENT OF TRANSPORTATION

ANNUAL FINANCIAL REPORT

Fiscal Years Ended September 30, 2003 & 2002

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**MICHIGAN DEPARTMENT OF TRANSPORTATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

TABLE OF CONTENTS

Page

I. INTRODUCTORY SECTION

| | |
|----------------------------|-----|
| Title Page | i |
| Table of Contents | iii |
| Letter of Transmittal..... | iv |

II. FINANCIAL SECTION

General Purpose Financial Statements

| | |
|--|---|
| Combined Balance Sheet - All Fund Types and Account Groups..... | 3 |
| Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Fund Types | 5 |
| Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual - Special Revenue Funds | 6 |
| Notes to Financial Statements | 8 |

Supplemental Financial Data - Combining Financial Statements and Schedules

| | |
|--|----|
| Special Revenue Funds: | |
| Descriptions of Special Revenue Funds | 32 |
| Combining Balance Sheet | 38 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 42 |
| Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual..... | 46 |
| Debt Service Funds: | |
| Descriptions of Debt Service Funds | 54 |
| Combining Balance Sheet | 55 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 56 |

III. STATISTICAL SECTION

| | |
|---|----|
| Schedule of Revenues and Expenditures by Fund - Special Revenue Funds..... | 60 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Economic Development Fund..... | 62 |
| Schedule of Debt Service Requirements on Outstanding Bonds..... | 63 |
| Construction and Capital Property Acquisitions by Functional Activity | 64 |
| Schedule of Expenditures of Federal Awards | 68 |
| Graphic Presentations..... | 72 |

Statements and schedules are rounded to thousands of dollars. Because of this, they may not add to the totals.



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GLORIA J. JEFF
DIRECTOR

February 20, 2004

State Transportation Commission
and
Gloria J. Jeff, Director
Michigan Department of Transportation

I am pleased to submit the Annual Financial Report for the Michigan Department of Transportation (MDOT) for the fiscal years ended September 30, 2002 and 2003. This report is prepared by the Bureau of Finance and Administration which is responsible for both the accuracy of the data and the completeness and fairness of the presentation. The data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of the department's operations.

This report is in compliance with Department of Management and Budget's Administrative Guide to State Government, which requires state agencies issuing financial reports to be consistent with the State of Michigan Comprehensive Annual Financial Report. In complying with state agency reporting guidelines, this report does not fully comply with all generally accepted accounting principles. These departures from generally accepted accounting principles, however, are not material; for example, the combined balance sheet does not include long-term obligations or capitalized assets. All disclosures necessary to enable the reader to gain a reasonable understanding of the department's financial affairs are included. A summary of the department's financial information follows.

FINANCIAL UPDATE

The United States economy began to grow stronger as business investment increased and unemployment decreased. The State of Michigan's economic recovery has lagged due to the decline in the number of manufacturing jobs. Fortunately, transportation revenues held stable or increased in 2003. The revenues deposited in the Michigan Transportation Fund (MTF) increased by 1.3 percent in fiscal year 2003. The majority of these revenues are disbursed to the State Trunkline Fund, counties, and cities/villages for road and bridge purposes. The Comprehensive Transportation Fund (CTF) receives 10 percent of the MTF revenues for public transportation services. CTF also receives sales tax revenue from vehicle-related sales, which had a modest increase of .8 percent in fiscal year 2003. As a result of the recovering economy, the amount of aviation fuel tax revenue deposited in the Aeronautics Fund increased by 10.5 percent over the previous fiscal year.

Federal transportation dollars are authorized every six years. In fiscal year 2003, the federal authorization is tied to the Transportation Equity Act, also known as TEA-21. This act was scheduled to expire September 30, 2003; however, Congress extended it through February 29, 2004. The Governor, MDOT, and a coalition of interest groups are aggressively lobbying Congress on the reauthorization of the Transportation Equity Act in an effort to return more dollars to Michigan for road and bridge repair. Currently, Michigan receives 90.5 cents for every dollar it sends to the federal government. Though our ultimate goal is 100 percent return, Michigan believes it can realistically achieve 95 cents on the dollar. The total federal obligation authority decreased from \$786 million in fiscal year 2002 to \$749 million in fiscal year 2003.

PROGRAM OVERVIEW

In fiscal year 2003, MDOT implemented the Preserve First program, which focuses resources on improving the condition of existing roads and bridges. The goal is to have 95 percent of freeways and 85 percent of non-freeways under MDOT's control in good condition by 2007. The advanced use of computer technology continues to enhance accurate forecasting of pavement condition and helps prioritize future projects. Over \$1 billion was spent on capital outlay expenditures for roads and bridges in fiscal year 2003.

One of the department's major safety goals is to reduce cross median crashes on freeways by establishing barriers. MDOT is also committed to improving driver safety by upgrading signs and pavement markings for better nighttime visibility, installing rumble strips on road shoulders, and upgrading guardrails.

Over \$200 million was provided in 2003 to support transit programs. The rail passenger program contributed \$6.7 million to Amtrak operations in Michigan. This program and the rail freight program are also continuing to make improvements to tracks and enhancing safety at rail grade crossings. A new Detroit Intermodal Freight Terminal is in the planning stages to ensure an efficient freight transportation system which helps businesses in Southeast Michigan remain competitive. MDOT is working with the Detroit/Wayne County Port Authority to build a dock and passenger terminal on the Detroit River.

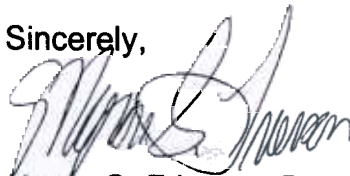
The department also administers the state airport development and licensing programs. In addition, the Airport Safety and Protection Plan program focuses on ensuring that new security measures are in place at each public-use airport in the state. In 2003, approximately \$117 million was spent to improve air transportation in Michigan.

CONCLUSION

In fiscal year 2003, \$4.4 billion was expended from all sources to address Michigan's transportation needs. MDOT's challenge continues to be making wise investment decisions with its resources to maximize the results achieved. This has fostered many inventive and innovative ideas at MDOT in the past, and will no doubt, promote even more in the future.

I wish to express my appreciation to the many people whose dedicated efforts made possible the preparation of this report. I believe their combined efforts have produced a report that will enable decision makers and concerned citizens to better understand and evaluate the department's financial condition.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Myron G. Frierson', written in a cursive style.

Myron G. Frierson, Bureau Director
Finance and Administration

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | GOVERNMENTAL FUND TYPES | | | | TOTALS | |
|--|-------------------------|---------------------|---------------|------------|---------------------|---------------------|
| | SPECIAL REVENUE | | DEBT SERVICE | | (Memorandum Only) | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 151 | \$ 2,142 | \$ - | \$ - | \$ 151 | \$ 2,142 |
| Equity in Common Cash | 670,490 | 1,292,026 | 347 | 190 | 670,837 | 1,292,217 |
| Receivables: | | | | | | |
| Taxes, interest, and penalties (at net) | 117,623 | 122,315 | - | - | 117,623 | 122,315 |
| Federal aid | 164,639 | 192,287 | - | - | 164,639 | 192,287 |
| Local units | 51,023 | 58,806 | - | - | 51,023 | 58,806 |
| Other funds and Component Units | 531,420 | 62,133 | - | - | 531,420 | 62,133 |
| Miscellaneous | 15,948 | 16,957 | - | - | 15,948 | 16,957 |
| Inventories | 5,594 | 8,287 | - | - | 5,594 | 8,287 |
| Total Current Assets | 1,556,888 | 1,754,955 | 347 | 190 | 1,557,235 | 1,755,145 |
| Noncurrent Assets: | | | | | | |
| Receivables: | | | | | | |
| Taxes | 1,615 | 4,322 | - | - | 1,615 | 4,322 |
| Federal aid | - | - | - | - | - | - |
| Local units | 41,047 | 40,069 | - | - | 41,047 | 40,069 |
| Advances to other funds | 25,984 | 27,734 | - | - | 25,984 | 27,734 |
| Land contracts | 3,847 | 3,007 | - | - | 3,847 | 3,007 |
| Miscellaneous | 2,161 | 2,604 | - | - | 2,161 | 2,604 |
| Total Noncurrent Assets | 74,653 | 77,736 | - | - | 74,653 | 77,736 |
| Total Assets | \$ 1,631,541 | \$ 1,832,691 | \$ 347 | 190 | \$ 1,631,888 | \$ 1,832,881 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 48,030 | \$ 11,932 | \$ 321 | \$ - | \$ 48,351 | \$ 11,932 |
| Accounts payable | 441,069 | 499,325 | 26 | 190 | 441,095 | 499,515 |
| Contract reserve payable | 13,813 | 19,336 | - | - | 13,813 | 19,336 |
| Due to other funds and Components | 55,013 | 95,075 | - | - | 55,013 | 95,075 |
| Deposits, permits and other liabilities | 643 | 1,332 | - | - | 643 | 1,332 |
| Deferred revenue | 58,519 | 42,392 | - | - | 58,519 | 42,392 |
| Total Current Liabilities | 617,087 | 669,392 | 347 | 190 | 617,434 | 669,582 |
| Long-Term Liabilities: | | | | | | |
| Deferred revenue | 19,561 | 21,597 | - | - | 19,561 | 21,597 |
| Advances from other funds | 25,984 | 27,734 | - | - | 25,984 | 27,734 |
| Total Liabilities | 662,632 | 718,722 | 347 | 190 | 662,979 | 718,913 |
| Fund Balance: | | | | | | |
| Reserved for encumbrances | 69,341 | 62,716 | - | - | 69,341 | 62,716 |
| Reserved for unencumbered restricted revenue balances | 242,386 | 239,252 | - | - | 242,386 | 239,252 |
| Reserved for unencumbered capital outlay and work projects | 238,987 | 203,850 | - | - | 238,987 | 203,850 |
| Reserved for revolving funds | 27,854 | 31,590 | - | - | 27,854 | 31,590 |
| Reserved for construction & debt service | 55,247 | 45,315 | - | - | 55,247 | 45,315 |
| Reserved for noncurrent assets | 29,217 | 29,690 | - | - | 29,217 | 29,690 |
| Total Reserves | 663,033 | 612,412 | - | - | 663,033 | 612,412 |
| Unreserved | 305,876 | 501,556 | - | - | 305,876 | 501,556 |
| Total Fund Balances | 968,909 | 1,113,968 | - | - | 968,909 | 1,113,968 |
| Total Liabilities and Fund Balances | \$ 1,631,541 | \$ 1,832,691 | \$ 347 | 190 | \$ 1,631,888 | \$ 1,832,881 |

The accompanying notes are an integral part of the financial statements.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | GOVERNMENTAL FUND TYPES | | | | TOTALS (Memorandum Only) | |
|--|-------------------------|--------------|--------------|----------|-----------------------------|--------------|
| | SPECIAL REVENUE | | DEBT SERVICE | | | |
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| REVENUES | | | | | | |
| Taxes | \$ 2,024,694 | \$ 1,995,635 | \$ - | \$ - | \$ 2,024,694 | \$ 1,995,635 |
| License and permits | 75,217 | 74,398 | - | - | 75,217 | 74,398 |
| Federal aid | 866,308 | 944,540 | - | - | 866,308 | 944,540 |
| Local participation | 123,732 | 133,273 | - | - | 123,732 | 133,273 |
| Interest earnings | 16,344 | 22,042 | - | - | 16,344 | 22,042 |
| Non-operating revenue-bridges | 2,122 | 2,223 | - | - | 2,122 | 2,223 |
| Miscellaneous revenue | 48,448 | 41,191 | - | 1 | 48,448 | 41,192 |
| Total Revenues | 3,156,863 | 3,213,301 | - | 1 | 3,156,863 | 3,213,302 |
| EXPENDITURES | | | | | | |
| Administration and Operations: | | | | | | |
| Administration and maintenance | 379,529 | 384,719 | - | - | 379,529 | 384,719 |
| Bus operating assistance grants | 170,449 | 172,043 | - | - | 170,449 | 172,043 |
| Other grants | 1,135,258 | 1,127,295 | - | - | 1,135,258 | 1,127,295 |
| Airport development | 111,363 | 153,249 | - | - | 111,363 | 153,249 |
| Non-operating expenditures-bridges | 2,051 | 2,152 | - | - | 2,051 | 2,152 |
| Trust fund construction activity | 281,712 | 277,694 | - | - | 281,712 | 277,694 |
| Capital lease payments | 160 | 252 | - | - | 160 | 252 |
| Costs of issuance | - | - | - | 1,299 | - | 1,299 |
| Bond principal retirement | - | - | 37,875 | 30,820 | 37,875 | 30,820 |
| Bond interest and fiscal charges | - | - | 59,622 | 57,224 | 59,622 | 57,224 |
| Total Administration and Operations | 2,080,521 | 2,117,404 | 97,497 | 89,343 | 2,178,018 | 2,206,747 |
| Capital Outlay: | | | | | | |
| Roads and bridges | 1,026,250 | 1,144,124 | - | - | 1,026,250 | 1,144,124 |
| Other capital outlay | 9,636 | 12,654 | - | - | 9,636 | 12,654 |
| Total Capital Outlay | 1,035,886 | 1,156,778 | - | - | 1,035,886 | 1,156,778 |
| Total Expenditures | 3,116,407 | 3,274,182 | 97,497 | 89,343 | 3,213,904 | 3,363,525 |
| Excess of Revenues Over (Under) Expenditures | 40,457 | (60,881) | (97,497) | (89,342) | (57,040) | (150,223) |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan Transportation Fund distribution | 808,940 | 801,587 | - | - | 808,940 | 801,587 |
| Grants and transfers from other funds | 186,809 | 230,438 | 97,497 | 88,044 | 284,306 | 318,482 |
| Proceeds from notes issued | - | 200,000 | - | - | - | 200,000 |
| Proceeds from bonds issued | 35,020 | 82,310 | - | 187,490 | 35,020 | 269,800 |
| Premium on bonds issued | 1,362 | 6,722 | - | 12,653 | 1,362 | 19,375 |
| Total Other Financing Sources | 1,032,131 | 1,321,057 | 97,497 | 288,187 | 1,129,628 | 1,609,244 |
| OTHER FINANCING USES | | | | | | |
| Michigan Transportation Fund distribution | 808,940 | 801,587 | - | - | 808,940 | 801,587 |
| Grants and transfers to other funds | 304,251 | 319,937 | - | 1 | 304,251 | 319,938 |
| Debt service | 104,455 | 88,044 | - | - | 104,455 | 88,044 |
| Payment to refunded bond escrow agent | - | - | - | 198,844 | - | 198,844 |
| Total Other Financing Uses | 1,217,647 | 1,209,568 | - | 198,845 | 1,217,647 | 1,408,413 |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | (185,516) | 111,489 | 97,497 | 89,342 | (88,019) | 200,831 |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | (145,059) | 50,608 | - | - | (145,059) | 50,608 |
| Fund balances-Beginning of fiscal year | 1,113,968 | 1,063,361 | - | - | 1,113,968 | 1,063,361 |
| Fund balances-End of fiscal year | \$ 968,909 | \$ 1,113,968 | \$ - | \$ - | \$ 968,909 | \$ 1,113,968 |

The accompanying notes are an integral part of the financial statements.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002
(In Thousands)

| (Statutory/Budgetary Basis) | 2003 | | VARIANCE FAVORABLE (UNFAVORABLE) |
|--|--------------|--------------|--|
| | BUDGET | ACTUAL | |
| REVENUES | | | |
| Taxes | \$ 2,024,694 | \$ 2,024,694 | \$ - |
| License and permits | 75,217 | 75,217 | - |
| Federal aid | 652,702 | 652,702 | - |
| Local participation | 40,891 | 40,891 | - |
| Interest earnings | 10,565 | 10,565 | - |
| Non-operating revenue-bridges | 2,122 | 2,122 | - |
| Miscellaneous revenue | 47,277 | 47,277 | - |
| Total Revenues | 2,853,468 | 2,853,468 | - |
| EXPENDITURES AND ENCUMBRANCES | | | |
| Administration and maintenance | 439,756 | 402,903 | 36,852 |
| Bus operating assistance grants | 171,472 | 171,470 | 2 |
| Other grants | 1,232,777 | 1,165,792 | 66,985 |
| Airport development | 113,844 | 112,515 | 1,328 |
| Non-operating expenditure-bridges | 2,122 | 2,051 | 71 |
| Total Administration and Operations | 1,959,970 | 1,854,731 | 105,239 |
| Roads and bridges | 788,290 | 787,491 | 799 |
| Other capital outlay | 66,690 | 12,209 | 54,480 |
| Total Capital Outlay | 854,980 | 799,700 | 55,279 |
| Total Expenditures and Encumbrances | 2,814,950 | 2,654,432 | 160,518 |
| Excess Revenue Over (Under) Expenditures and Encumbrances | 38,518 | 199,036 | 160,518 |
| OTHER FINANCING SOURCES | | | |
| Michigan Transportation Fund distribution | 808,940 | 808,940 | - |
| Grants and transfers from other funds | 175,605 | 175,605 | - |
| Total Other Financing Sources | 984,544 | 984,544 | - |
| OTHER FINANCING USES | | | |
| Michigan Transportation Fund distribution | 813,014 | 808,940 | 4,074 |
| Grants and transfers to other funds | 282,923 | 280,483 | 2,440 |
| Debt service | 116,001 | 104,455 | 11,546 |
| Total Other Financing Uses | 1,211,938 | 1,193,878 | 18,060 |
| Excess Other Financial Sources Over (Under) Other Financial Uses | (227,393) | (209,334) | 18,060 |
| Excess of Revenue and Other Financial Sources Over (Under) Expenditures, Encumbrances and Other Financial Uses | \$ (188,875) | (10,298) | \$ 178,578 |
| RECONCILING ITEMS | | | |
| Encumbrances at September 30 | | 69,341 | |
| Funds not annually budgeted | | (204,103) | |
| Net Reconciling Items | | (134,762) | |
| Excess of Revenue and Other Financial Sources Over (Under) Expenditures and Other Financial Uses (GAAP Basis) | | (145,059) | |
| FUND BALANCES (GAAP BASIS) | | | |
| Beginning balance | | 1,113,968 | |
| Ending balances | \$ | 968,909 | |

The accompanying notes are an integral part of the financial statements.

| 2002 | | |
|--------------|--------------|--|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ 1,995,635 | \$ 1,995,635 | \$ - |
| 74,398 | 74,398 | - |
| 701,066 | 701,066 | - |
| 47,907 | 47,907 | - |
| 13,546 | 13,546 | - |
| 2,223 | 2,223 | - |
| 40,955 | 40,955 | - |
| 2,875,730 | 2,875,730 | - |
| 441,793 | 402,020 | 39,773 |
| 176,291 | 172,043 | 4,248 |
| 1,243,381 | 1,159,620 | 83,761 |
| 156,871 | 156,072 | 798 |
| 2,223 | 2,152 | 71 |
| 2,020,559 | 1,891,907 | 128,652 |
| 792,448 | 780,886 | 11,563 |
| 61,588 | 16,248 | 45,340 |
| 854,037 | 797,134 | 56,903 |
| 2,874,596 | 2,689,041 | 185,554 |
| 1,134 | 186,689 | 185,554 |
| 801,587 | 801,587 | - |
| 216,909 | 216,909 | - |
| 1,018,496 | 1,018,496 | - |
| 812,540 | 801,587 | 10,953 |
| 301,192 | 303,834 | (2,642) |
| 88,492 | 88,044 | 447 |
| 1,202,223 | 1,193,465 | 8,758 |
| (183,728) | (174,969) | 8,758 |
| \$ (182,594) | 11,719 | \$ 194,313 |
| | 62,716 | |
| | (23,828) | |
| | 38,888 | |
| | 50,608 | |
| | 1,063,361 | |
| | \$ 1,113,968 | |

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 1: Significant Accounting Policies

A. Reporting Entity

These financial statements report the financial activity of transportation related funds administered by the Department of Transportation (Department). Department administered funds by classification are:

Special Revenue

State Aeronautics Fund
State Trunkline Fund
Michigan Transportation Fund
Transportation Related Trust Fund
Blue Water Bridge Fund
Comprehensive Transportation Fund
Combined State Trunkline Fund Bond Proceeds Fund
Combined Comprehensive Transportation Bond Proceeds Fund

Debt Service

Combined State Trunkline Bond and Interest Redemption Fund
Combined Comprehensive Transportation Bond and Interest Redemption Fund

The above funds are a part of the State of Michigan reporting entity and are reported in the State of Michigan Comprehensive Annual Financial Report (SOMCAFR). The SOMCAFR provides general disclosures regarding summary of significant accounting policies, treasurer's common cash, pension benefits, compensated absences (annual leave and sick leave accumulations), general long-term obligations, interfund receivables and payables, contingencies, and commitments.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

On September 1, 2000, the International Bridge Authority paid off the 40 year bonds which financed the construction of the International Bridge at Sault Ste. Marie, Michigan. As a result, the International Bridge Authority was dissolved, and the Michigan Department of Transportation (MDOT) and the St. Marys River Bridge Company (SMRBC), a Canadian Corporation, share ownership of the International Bridge. A 40 year intergovernmental agreement between MDOT and SMRBC went into effect on September 1, 2000. This agreement formed the Joint International Bridge Authority (JIBA) and the International Bridge Administration (IBA). The JIBA is a non-profit organization with six members. Three members are selected by the Governor of Michigan and three by SMRBC, which is controlled by the Minister of Transport. The IBA is made up of MDOT employees who are responsible for the administration, operation, repair, and improvement of the International Bridge. Revenue from bridge tolls covers the expenses of the IBA. Neither owner is required to provide financial support for the bridge.

Summary financial information for the International Bridge Authority's audit periods ending December 31, 2002 & December 31, 2001 follows (in thousands):

| | December 31, 2002 | December 31, 2001 |
|--|-------------------|-------------------|
| Assets | \$ 3,332 | \$ 5,851 |
| Liabilities | 950 | 857 |
| Total Equity | 2,382 | 4,993 |
| Total Revenues and Other Sources | 4,873 | 6,765* |
| Total Expenditures and Other Uses | 7,485 | 4,189 |
| Excess of Revenues and Other Sources | | |
| Over (Under) Expenditures and Other Uses | (2,612) | 2,575 |

* Total Revenues includes a \$341 gain on the sale of Fixed Assets.

The Mackinac Bridge Authority (Authority), a component unit of the State of Michigan, is reported in the SOMCAFR and is not reported in these statements. The Authority issues its own audited financial statements. Further information regarding the relationship between the Department and the Authority is provided in Note 10 of this report.

Note 1 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

B. Basis of Presentation

The financial transactions of the Department are recorded in individual funds in the Michigan Administrative Information System (MAIN). The various transportation funds are combined in the SOMCAFR into fund types described as follows:

Governmental Fund Types

Special Revenue Funds: This fund group includes operating funds that account for the proceeds of certain specific revenue sources, which are legally restricted for specified purposes.

Debt Service Funds: This group accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

TOTALS (MEMORANDUM ONLY)

Amounts in the "total - memorandum only" columns represent summations of the fund types and account groups and are presented only for analytical purposes. The summations include interfund transactions, which have not been eliminated, and the captioned "amounts to be provided," which are not assets in the usual sense. Consequently, amounts shown in the "total - memorandum only" columns are not comparable to a consolidation.

C. Basis of Accounting

The financial statements contained in this report are prepared on the modified accrual basis of accounting. The modified accrual basis of accounting, fiscal year ends, and accounting practices are explained in more detail in the SOMCAFR.

D. Calculation Practice

Amounts recorded in the Department's financial statements are rounded to thousands of dollars, unless otherwise noted. Because of this, the amounts may not add to the totals.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

E. Reserved Fund Balance

A comparative analysis of the State Trunkline Fund reserved fund balance at September 30, 2003 and September 30, 2002, follows (in thousands):

| | FY 2003 | FY 2002 |
|-------------------------------|-------------------|-------------------|
| Reserves: | | |
| Capital Outlay: | | |
| Facilities | \$ 18,932 | \$ 19,101 |
| Institutional Roads | 1,064 | 1,567 |
| Rail Grade Crossing | -- | -- |
| Critical Bridge | -- | -- |
| Road and Bridge | <u>200,951</u> | * <u>167,969</u> |
| Total Capital Outlay Reserves | 220,948 | 188,637 |
| Encumbrances | 27,009 | * 21,083 |
| Restricted Revenue | 233,602 | 232,920 |
| Work Projects | 5,705 | 5,037 |
| Revolving Loan Program | 14,472 | 18,390 |
| Construction and Debt Service | 55,247 | 45,315 |
| Noncurrent Assets: | | |
| Capital Equipment Loans | 21,261 | 21,325 |
| Maintenance Advances | 7,956 | 8,365 |
| Local Unit Loans | -- | -- |
| Total Noncurrent Assets | <u>29,217</u> | <u>29,690</u> |
| Total Reserved Fund Balance | <u>\$ 586,200</u> | <u>\$ 541,071</u> |

*Fiscal year 2002 has been restated to reflect State Trunkline Fund reserves without including the Blue Water Bridge Fund reserves.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 2: Budgeting and Budgetary Control

The SOMCAFR provides disclosures regarding budgetary control. The budget column of the budget to actual statement represents legislative authorization after adjustments for carry-overs, transfers, and restricted revenue shortfalls. "Favorable variances" generally reflect unused general purpose spending authority ("lapses") and/or unused restricted revenue authority, which carry over as a reservation of fund balance and/or general purpose revenue exceeding estimates. "Unfavorable variances" reflect either general purpose revenue estimate shortfalls or budgetary overdrafts. If both favorable and unfavorable variances exist for a particular line, the amount shown is the net variance.

In 2003 and 2002, amounts were appropriated in the Blue Water Bridge Fund for operational costs and for partial repayment of the loan due to the State Trunkline Fund. Loan repayments made in fiscal years 2003 and 2002 were \$2.5 million and \$1.7 million, respectively. The repayment reduced amounts due to other funds. No expenditures were incurred and the related appropriation lapsed.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 3: Current Receivables

A. Contested and Delinquent Receivables

Current receivables recorded in the financial statements represent amounts due to the Department as of September 30, 2003 and 2002, and will be collected within 12 months. Receivables not due for collection within 12 months are classified as long-term assets with an offsetting deferred revenue or fund balance reserve. Due to the uncertainty associated with contested receivables in litigation or pending litigation and delinquent receivables referred to a third party for collection, these receivables are recorded in an allowance for doubtful accounts, with the net amount reported in the financial statements (in thousands).

| | <u>Contested</u> | | <u>Delinquent</u> | | <u>Fund Total</u> | |
|--|------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| State Aeronautics Fund | \$1,527 | \$5,594 | \$ -- | \$ -- | \$1,527 | \$5,594 |
| State Trunkline Fund | 9 | -- | 2,900 | 5,277 | 2,909 | 5,277 |
| Comprehensive Transportation Fund | 3,216 | 3,000 | 55 | 271 | 3,271 | 3,271 |
| State Trunkline Bond Proceeds Fund | -- | -- | 264 | 264 | 264 | 264 |
| Transportation Related Trust Fund | -- | -- | 3 | 3 | 3 | 3 |
| Total Allowance for Doubtful Accounts | <u>\$4,752</u> | <u>\$ 8,594</u> | <u>\$3,221</u> | <u>\$ 5,815</u> | <u>\$7,973</u> | <u>\$14,409</u> |

B. Taxes Receivable

In the Michigan Transportation Fund, the net amount of current receivables, \$289.1 million and \$400 million, and allowances for uncollectible receivables, \$165.3 million and \$271.3 million, were recorded for motor fuel taxes due to the fund as of September 30, 2003 and 2002, respectively. The reporting of a gross receivable net of a related allowance for uncollectible accounts is consistent with the treatment of other taxes receivable reported in the SOMCAFR.

Note 3 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

C. Federal Highway Administration (FHWA) Receivable

The Department recorded federal aid receivables in the State Trunkline Fund, State Trunkline Bond Proceeds Fund, and Transportation Related Trust Fund totaling \$119 million and \$141.6 million for the fiscal years ending September 30, 2003 and 2002, respectively. Of those amounts \$9.9 million and \$61.8 million, respectively, were recorded from the ATo-Be-Billed Summary@. The ATo-Be-Billed Summary@ consists primarily of project costs that exceeded the contract amounts agreed to by the FHWA and represent federal funds earned by the Department but not requested for reimbursement. Consistent with past practices, contract amounts will be increased as federal aid becomes available. No long-term federal aid receivables were recorded for fiscal year ending September 30, 2003.

D. Advance Construction

Under an agreement with FHWA, the Department has, over a period of years, qualified a number of construction projects without placing them under a reimbursement agreement. These deferred federal aid projects may be converted to current reimbursement at the option of the Department, provided that there are adequate federal aid allocations. The arrangement was worked out between the states and the federal government so that the states could obtain federal reimbursement not received during the construction period, in case a relatively greater amount of federal aid became available at some later date or to assist in balancing the federal aid from year to year. At the end of fiscal year 2002, the Department had \$353,752,751 of State Trunkline expenditures on projects not under reimbursement agreement. \$133,681,520 of these expenditures were placed under reimbursement agreement by the end of fiscal year 2003. The remaining \$220,071,231 is included in the fiscal year 2003 amount below. At the end of fiscal year 2003, the Department had \$455,013,425 of State Trunkline expenditures on projects not under reimbursement agreement.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 4: General Long-Term Obligations

A. Revenue Dedicated Bonded Debt

The Department has periodically issued long-term bonds for specific purposes, with the stipulation that financing of debt requirements is to come strictly from designated revenue sources. The State of Michigan's general credit does not support such issues. Public Act 51 of 1951, as amended, provides that monies deposited in the State Trunkline Fund and/or the Comprehensive Transportation Fund are appropriated for specific purposes in order of priority. A sufficient portion of the State Trunkline Fund and the Comprehensive Transportation Fund is irrevocably appropriated to pay, when due, the principal of and interest outstanding on bonds and notes. The State Trunkline Series 1989-A, and the State Trunkline Series 1992 A and B bond issues included capital appreciation bonds (zero coupon bonds) with an ultimate maturity value of \$35.7 million and \$97.7 million, respectively. These bonds are recorded in the amounts of \$28.6 million and \$69.1 million, respectively, which are the accreted values at September 30, 2003. These bonds mature in the years 2004 to 2009, and 2006 to 2013, respectively.

Revenue Dedicated Bonded Debt
Department of Transportation (in thousands)

| | Amounts | Outstanding | | Maturities | | Averag |
|---|---------------------|---------------------|---------------------|------------|------|----------|
| | Issued | 9/30/03 | 9/30/02 | First | Last | Interest |
| | | | | Year | Year | Rate % |
| <u>MI Comprehensive Transportation:</u> | | | | | | |
| 1996 (Series A Refunding) | 22,650 | 21,280 | 22,280 | 1998 | 2014 | 5.42 |
| 1998 (Series A Refunding) | 38,640 | 38,640 | 38,640 | 2005 | 2011 | 4.66 |
| 2001 (Series A Refunding) | 27,765 | 27,765 | 27,765 | 2008 | 2022 | 5.01 |
| 2002 (Series A Refunding) | 89,620 | 78,965 | 89,620 | 2003 | 2011 | 5.06 |
| 2002 (Series B) | 82,310 | 82,310 | 82,310 | 2004 | 2022 | 5.13 |
| 2003 (Series A) | 35,020 | 35,020 | | 2004 | 2023 | 3.61 |
| <u>State Trunkline Funds:</u> | | | | | | |
| 1989 (Series A) | 135,779 | 28,582 | 26,702 | 1994 | 2009 | 6.97 |
| 1992 (Series A & B) | 353,210 | 69,113 | 76,045 | 2000 | 2013 | 5.66 |
| 1994 (Series A) | 150,000 | 9,860 | 18,625 | 1996 | 2006 | 5.50 |
| 1996 (Series A) | 54,500 | 5,695 | 6,635 | 1998 | 2008 | 5.71 |
| 1998 (Series A Refunding) | 377,890 | 377,890 | 377,890 | 2006 | 2027 | 5.09 |
| 2001 (Series A) | 308,200 | 302,760 | 308,200 | 2003 | 2031 | 5.27 |
| 2002 (Series A Refunding) | 97,870 | 97,870 | 97,870 | 2004 | 2022 | 4.71 |
| Total Revenue | | | | | | |
| Dedicated Bonded Debt | \$ 1,773,454 | \$ 1,175,750 | \$ 1,172,582 | | | |

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Advance Refunding and Defeasance

The Department has issued refunding bond issues to finance the advance refunding of selected bond issues. A portion of the proceeds of the refunding issues were placed in trust and used to purchase securities of the U.S. Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by a trustee and are restricted for the retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements, as the Department defeased its obligation for payment of the refunded bonded debt upon completion of the refunding transaction.

The following table summarizes the defeased bonds outstanding at September 30, 2003 and 2002:

Summary of Refunding Transactions
(In Millions)

| <u>Bond Series</u> | <u>Amount Refunded</u> | <u>Balance with Trustee</u> | |
|-----------------------------|----------------------------|-----------------------------|----------------|
| | | <u>2003</u> | <u>2002</u> |
| State Trunkline Fund Bonds: | | | |
| Series 1992A | 194.2 | 0.0 | 194.2 |
| Series 1992B | 83.4 | 0.0 | 83.4 |
| Series 1994A | 120.3 | 120.3 | 120.3 |
| Series 1996A | <u>43.9</u> | <u>43.9</u> | <u>43.9</u> |
| TOTAL | <u>\$475.1</u> | <u>\$164.3</u> | <u>\$441.9</u> |

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

B. Revenue Dedicated Notes Payable

The Department issued Grant Anticipation Notes in fiscal years ending 2001 and 2002. The Notes have variable rates that may bear interest at a daily interest rate, a weekly rate, note interest term rate, long-term interest rate, or an ARS interest rate. The Notes are issued in accordance with the authorization provided in P.A. 51 of 1951, as amended. The principal and interest on the Notes are payable solely from and are secured by an irrevocable pledge of the State share of all federal grants received each year under the Federal-Aid Highway Program.

Revenue Dedicated Notes Payable
Department of Transportation (in thousands)

| | <u>Amounts Issued</u> | <u>Outstanding</u> <u>9/30/03</u> | <u>9/30/02</u> | <u>Maturities</u> |
|--------------------------------|---------------------------|--------------------------------------|-------------------|-------------------|
| 2001 (Series A, B, C, D) | 400,000 | 400,000 | 400,000 | 2008 |
| 2002 (Series A, B, C, D) | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | 2009 |
| Total Revenue | | | | |
| Dedicated Notes Payable | \$ 600,000 | \$ 600,000 | \$ 400,000 | |

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

C. Other General Long-Term Obligations

Capital Leases:

Capitalized lease liabilities are described in more detail in Note 5.

Compensated Absences:

Compensated absences liabilities are detailed in Note 6.

Claims and Judgments:

The liability recorded for claims and judgments consists of projected amounts for highway- related negligence cases based upon historical loss ratios. It should be stressed that the Department continues to vigorously contest all of these claims and that the Department may incur no liability in the individual cases involved. Therefore, the allowance for litigation losses may be overstated (to the extent that losses do not occur) or understated (if the losses exceed the projected amounts).

Note 4 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Changes in General Long-term Obligations:

Changes in general long-term obligations (in thousands) for the fiscal year ended September 30, 2003 and 2002, are summarized as follows:

| | Revenue Dedicated Debt - Oversight Entity | | Capital Lease Obligations | |
|--|---|---------------------|-------------------------------------|-------------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Bonds and Capital Lease Obligations: | | | | |
| Balance - Beginning | \$ 1,172,582 | \$ 1,121,496 | \$ 1,002 | \$ 2,108 |
| New bond issues/capital lease additions and adjustments | 35,020 | 269,800 | -- | -- |
| Accretion on Capital Appreciation Bonds | 6,023 | 5,651 | -- | -- |
| Bond principal retirements/ capital lease payments and adjustments | <u>(37,875)</u> | <u>(224,365)</u> | <u>(84)</u> | <u>(1,105)</u> |
| Balance - Ending | <u>\$ 1,175,750</u> | <u>\$ 1,172,582</u> | <u>\$ 918</u> | <u>\$ 1,002</u> |
| | | | | |
| Other Obligations: | Claims and Judgments | | Compensated Absences Liabilities | |
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| Balance - Beginning | \$ 1,128 | \$ 4,628 | \$ 30,449 | \$ 29,654 |
| Net increase (decrease) in estimated liabilities | <u>155</u> | <u>(3,500)</u> | <u>(3,018)</u> | <u>795*</u> |
| Balance - Ending | <u>\$ 1,283</u> | <u>\$ 1,128</u> | <u>\$ 27,431</u> | <u>\$ 30,449*</u> |

* - 2002 figures have been restated to reflect correct figures as reported in Note 6.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 5: Leases

The Department leases office facilities under noncancelable leasing arrangements. Most leases have cancellation clauses with one to six month notice requirements in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable because the likelihood that such clauses will be exercised is considered remote. Leases that are in the nature of acquisitions are classified as "capital" leases, therefore assets and liabilities are recorded at lease inception. Other leases are classified as "operating" leases, and these are treated as rent commitments rather than acquisitions.

Actual rental expenditures incurred under operating leases totaled \$1,157,591 and \$1,999,558 during fiscal years 2003 and 2002, respectively.

Summary of the noncancelable operating and capital leasing commitments to maturity for fiscal year 2003 follows (in thousands):

| Noncancelable Lease Commitments Fiscal Year 2003 | | | | | |
|---|---------------------|----------------|---------------|---------------|-----------------|
| Fiscal Year Ended September 30 | Operating Leases | Capital Leases | | | |
| | | Principal | Interest | Executory | Total |
| 2004 | \$ 1,571 | \$ 92 | \$ 68 | \$ 56 | \$ 216 |
| 2005 | 1,165 | 100 | 60 | 56 | 216 |
| 2006 | 311 | 109 | 50 | 56 | 216 |
| 2007 | 139 | 120 | 40 | 56 | 216 |
| 2008 | 116 | 132 | 28 | 56 | 216 |
| <u>2009 - 2015</u> | <u>--</u> | <u>365</u> | <u>64</u> | <u>88</u> | <u>516</u> |
| Total | <u>\$ 3,302</u> | <u>\$ 918</u> | <u>\$ 310</u> | <u>\$ 367</u> | <u>\$ 1,594</u> |

The above schedule is consistent with SOMCAFR in that it does not include leases for state owned buildings, leases for an amount less than \$10,000, lease extensions less than 12 months and lease payment changes less than \$200.

All of the above capital leases are related to governmental fund operations and the total of capital lease principal is recorded in the government-wide statements of the SOMCAFR.

Note 5 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

The historical cost of assets acquired under capital leases, which are included in the government-wide statements of the SOMCAFR, at September 30, 2003 and 2002, follows (in thousands):

| | <u>2003</u> | <u>2002</u> |
|-----------|----------------|----------------|
| Buildings | \$1,320 | \$1,320 |
| Equipment | <u> --</u> | <u> --</u> |
| TOTAL | <u>\$1,320</u> | <u>\$1,320</u> |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 6: Employee Benefits - Retirement and Compensated Absences

A. Retirement Contributions

Department of Transportation employees are members of the State Employees' Retirement System. Retirement contributions are expended from the Department's special revenue funds to the State Employees' Retirement Fund.

The Department's retirement contributions were as follows (in thousands):

| | <u>2003</u> | <u>2002</u> |
|---|------------------------|------------------------|
| State Trunkline Fund | \$22,030 | \$18,961 |
| Comprehensive Transportation Fund | 897 | 643 |
| State Aeronautics Fund | <u>493</u> | <u>404</u> |
| Total Department of Transportation Contributions | <u><u>\$23,421</u></u> | <u><u>\$20,008</u></u> |

B. Compensated Absences

The Department has accrued liabilities for compensated absences as required by GASB. Liabilities related to governmental fund types are recorded in the government-wide statements in the SOMCAFR, unless the liability is "due and payable" (i.e., liabilities are recognized in the year employee leaves State service) at year-end. The amount "due and payable" is reflected in the "Accounts payable" line of the applicable fund's balance sheet.

Note 6 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

The following table summarizes Department of Transportation related compensated absences liabilities as of September 30, 2003 and 2002 (in thousands):

| <u>Total</u> | <u>Sick Leave</u> | | <u>Annual Leave</u> | | | |
|---|-------------------|-----------------|---------------------|-----------------|-----------------|-----------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| State Trunkline Fund | \$ 13,715 | \$15,165 | \$ 11,601 | \$13,106 | \$25,316 | \$28,271 |
| Comprehensive Transportation Fund 1,168 | 611 | 626 | 520 | 542 | 1,132 | |
| State Aeronautics Fund | 525 | 530 | 279 | 313 | 804 | 843 |
| Blue Water Bridge | <u>91</u> | <u>90</u> | <u>88</u> | <u>77</u> | <u>179</u> | <u>168</u> |
| TOTAL | <u>\$ 14,942</u> | <u>\$16,411</u> | <u>\$12,489</u> | <u>\$14,037</u> | <u>\$27,431</u> | <u>\$30,449</u> |

If a Department employee transfers to another department, the related compensated absence liability is assumed by the employee's new department.

For a more detailed explanation of retirement benefits and compensated absence accruals, refer to the SOMCAFR.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 7: Capital Assets

Capital assets owned by the Department, including property, plant, equipment, and infrastructure items (roads, bridges, ramps, railroads, rest areas, and welcome centers) are reported in the government-wide financial statements of the SOMCAFR. The capital assets reported by the Department have been expanded due to the implementation of GASB Statement No. 34. For more information on the reporting of capital assets under this Statement, see Note 9 of the SOMCAFR.

Classification: The following tables summarize, by major class of asset, fiscal year 2003 changes in reported costs for the Department's capital assets (in millions):

| Changes in Capital Assets Fiscal Year 2003 | | | | | |
|---|----------------------|----------------|------------------|--------------|-------------------|
| | Beginning Balance | Additions | Deletions | Adjustments | Ending Balance |
| <u>Capital assets, not depreciated:</u> | | | | | |
| Roads | \$10,292.0 | 134.1 | (76.4) | -- | \$10,349.6 |
| Land & Land Improvements | 2,814.6 | 12.4 | (0.1) | 1.0 | 2,828.0 |
| Bridges | 1,195.5 | 62.8 | (44.2) | -- | 1,214.1 |
| Construction in Progress | 876.9 | 398.5 | (176.3) | -- | 1,099.2 |
| <u>Capital assets, depreciated:</u> | | | | | |
| Ramps | 497.0 | 4.1 | (0.2) | -- | 500.9 |
| Equipment | 113.7 | 4.0 | (3.8) | (0.2) | 113.7 |
| Buildings | 121.1 | 6.6 | -- | -- | 127.7 |
| Railroads | 35.0 | -- | -- | -- | 35.0 |
| Rest Areas & Welcome Centers | 54.6 | 6.5 | (1.1) | 0.1 | 60.1 |
| Land Improvements | 2.8 | -- | -- | -- | 2.8 |
| Airports | 1.9 | -- | -- | -- | 1.9 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Ramps | (271.4) | (20.0) | 0.2 | 1.0 | (290.1) |
| Equipment | (80.3) | (8.6) | 3.6 | 2.0 | (83.3) |
| Buildings | (36.4) | (3.2) | -- | (0.7) | (40.3) |
| Railroads | (18.2) | (0.9) | -- | -- | (19.1) |
| Rest Areas & Welcome Centers | (25.8) | (1.3) | 0.8 | -- | (26.3) |
| Land Improvements | (.7) | (0.1) | -- | -- | (0.8) |
| Airports | (.3) | (0.1) | -- | -- | (0.4) |
| Total Capital Assets | <u>\$15,572.0</u> | <u>\$594.8</u> | <u>\$(297.5)</u> | <u>\$3.2</u> | <u>\$15,872.7</u> |

Note 7 continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Funding Source: Following is a summary of funding sources for investments in capital assets as of September 30, 2003 (in millions):

| <u>Fund</u> | <u>Investment @</u> <u>9/30/2003</u> |
|---|---|
| State Trunkline Fund | \$ 15,824.1 |
| Comprehensive Transportation Fund | 30.7 |
| State Aeronautics Fund | <u>17.9</u> |
| Total Investment in Capital Assets | \$ 15,872.7 |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 8: Excess of Expenditures Over Appropriation

Budgetary control for State Trunkline Fund, Blue Water Bridge Fund, State Aeronautics Fund, Michigan Transportation Fund, and Comprehensive Transportation Fund expenditures is established by line-item appropriation within each fund's total appropriation.

The Department incurred no overexpenditures in fiscal year 2003 or in fiscal year 2002.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
 FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 9: Interfund Transfers by the Michigan Transportation Fund

Interfund transfers are reported as other financing sources and uses on our Schedule of Revenues, Expenditures, and Changes in Fund Balances.

MDOT's most significant interfund transfer is the distribution of Michigan Transportation Fund (MTF) revenues to the State Trunkline Fund (STF) and Comprehensive Transportation Fund (CTF). This distribution is in accordance with section 247.660 of Public Act 51 of 1951, as amended.

MTF collects various taxes such as gasoline taxes, diesel taxes, motor carrier taxes, and vehicle license taxes. Before the distribution is calculated, various deductions are taken from MTF's total gross receipts. These deductions include funding for debt service payments, the Rail Grade crossing program, administrative costs for divisions within MDOT, and grants with other State agencies.

CTF receives ten percent of the remaining balance from MTF. After CTF's balance is distributed, additional deductions are taken for the Critical Bridge program, the Economic Development program, and the Local Road program. Three of the four cents a gallon that MDOT receives for gasoline taxes is then added to the total. STF receives 39.1 percent of the remaining balance.

Other transfers from MTF are also required by P.A. 51 of 1951, or the current year's appropriation bill. See the table below for MTF's interfund transfers in fiscal years 2003 and 2002.

| <u>Interfund Transactions</u> | <u>FY 03</u> | <u>FY 02</u> |
|----------------------------------|------------------------|------------------------|
| MTF Distribution – STF | \$646,616,100 | \$641,056,029 |
| MTF Distribution - CTF | 162,323,709 | 160,530,656 |
| Other State agencies | 117,525,390 | 114,366,591 |
| Debt Service | 43,000,000 | 43,000,000 |
| Economic Development Program | 40,275,000 | 40,275,000 |
| Local Road Program | 33,000,000 | 33,000,000 |
| Critical Bridge | 7,155,600 | 7,383,948 |
| Planning | 5,523,383 | 5,840,700 |
| Highways | 3,136,863 | 2,543,489 |
| Rail Grade Crossing | 3,000,000 | 3,000,000 |
| Railroad Safety & Tariffs | 1,266,946 | 1,229,625 |
| Finance and Administration | 1,127,500 | 999,980 |
| Worker's Compensation | -- | 35,900 |
| Office of Information Management | <u>16,427</u> | <u>24,230</u> |
| Total | <u>\$1,063,966,918</u> | <u>\$1,053,286,148</u> |

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 10: Component Unit - Mackinac Bridge Authority

The Mackinac Bridge Authority (Authority), which is reported as a governmental component unit in the SOMCAFR, has over the years received \$75.3 million of subsidies for operations (\$12.3 million) and debt service (\$63.0 million). These subsidies were provided by the State Trunkline Fund and the Michigan Transportation Fund, respectively, both of which are special revenue funds. The Authority redeemed its remaining bonds on July 1, 1986.

State statutes require that the Authority continue charging bridge tolls and begin repaying the State Trunkline Fund and the Michigan Transportation Fund for the subsidies provided. These repayments would continue until such time as the subsidies have been completely returned. Executive Order 1986-14 created the Governor's Mackinac Bridge Task Force to develop an advisory proposal concerning reimbursement of the subsidies, future funding of repair and renovation costs, and the bridge toll structure. The Authority has not recorded a liability, and the state funds have not recorded receivables for these subsidies, because the reimbursements are contingent upon future net revenues and because the repayment commitment is long-term and budgetary in nature. Repayments may be authorized by the Authority after consideration of the Authority's annual needs for its operations and planned repairs and improvements.

The Authority repaid \$9,750,000 between fiscal years 1993 and 2002, with an additional \$250,000 repaid in fiscal year 2003, to the Michigan Transportation Fund. These repayments come directly from the revenue generated by bridge tolls and are not included as a financing use of the State Trunkline Fund. A balance of \$53,000,000 is owed to the Michigan Transportation Fund and a balance of \$12,306,172 is owed to the State Trunkline Fund.

For the fiscal year ended September 30, 2003, a current receivable of \$1,131,649.86 is recorded in the State Trunkline Fund's balance sheet as an amount due from component units for the authority's reimbursement of payroll and related expenses. An account payable due to the Department is recorded in the Authority's balance sheet.

Notes continued on next page.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Note 11: Contingencies and Commitments

A. Litigation

The Department is party to various legal proceedings seeking damages and other relief including injunctive or mandatory relief. The ultimate disposition of such legal proceedings is not presently determinable, but such ultimate disposition and consequences of all these legal proceedings will not, themselves, in the opinion of the State of Michigan's Attorney General, have a materially adverse effect on the Department's financial position.

The Department accrues fund liabilities at year-end related to settled cases where the outcome and dollar amount of the claim is final. For unsettled cases, liability recognition or disclosure is recorded at the statewide level, dependent on whether the loss is probable or reasonably possible.

In March 2002, the County Road Association of Michigan (CRAM) and the Chippewa County Road Commission filed a lawsuit against John M. Engler and various State department directors concerning the provisions of Executive Order 2001-9. For further information on the lawsuit, see Note 23 of the fiscal year 2002 SOMCAFR.

As a result of Executive Order 2001-9 and the lawsuit, MDOT established a payable due to the State's General Fund for \$12.75 million within the Comprehensive Transportation Fund. Also, MDOT transferred \$20 million from the Michigan Transportation Fund to the Department of State, and established a payable due to Department of State for \$20 million associated with the collection of motor vehicle taxes and fees. In addition, MDOT transferred \$6.7 million from the Michigan Transportation Fund to the Department of Treasury for expenditures associated with the Department of Treasury's collection of motor vehicle taxes and fees.

B. Federal Grants

Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agencies for expenditures disallowed under the terms of the grant. As of September 30, 2003 and 2002, the Department estimates the disallowance of recognized revenues will not be material to the financial statements.

MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

C. Construction Projects

The Department has entered into construction contracts for transportation related special revenue funds and trust funds. As of September 30, 2003 and 2002, the balances remaining on these contracts equaled \$562.2 million and \$624.5 million, respectively. As of September 30, 2003 and 2002, the balances remaining on these contracts, less the trust fund equaled \$475.9 million and \$544.3 million, respectively. As of September 30, 2003 and 2002, the balances remaining on these contracts in the State Trunkline Fund equaled \$381.7 million and \$313.3 million, respectively.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

MICHIGAN TRANSPORTATION FUND

This fund, established by Public Act 51 of 1951, Section 10, as amended, is administered jointly by the Department of Transportation and the Department of State. In addition, some of the fund revenue is collected by the Department of Treasury. The fund is a receiving fund for the several tax revenues dedicated to highway purposes. Transfers are made to the General Fund to pay the cost of collection of the dedicated revenues and to the State Trunkline Fund, Comprehensive Transportation Fund, the Economic Development Sub-Fund, and the Recreation Improvement Sub-Fund in accordance with the statutory formula. Expenditures consist of grants to counties, cities, and villages for highway purposes in accordance with statutory formula.

STATE TRUNKLINE FUND

This fund provides for construction and maintenance of highways. Its overall budget is subject to annual legislative review and appropriation, but the Transportation Commission has significant discretion in determining the funding of individual projects. Major financing sources are transfers from the Michigan Transportation Fund, federal aid, and local participation. Expenditures and transfers are for administration, highway maintenance and construction, debt service, and various contractual obligations. In accordance with the annual appropriation act, unencumbered balances at fiscal year end are transferred to the road and bridge construction account.

In fiscal year 1988, the Economic Development Fund (EDF), a sub-fund, was created within the State Trunkline Fund. The statements for the State Trunkline Fund include the financial activity for EDF. A separate schedule summarizing EDF activity is included in the Statistical Section of this report.

BLUE WATER BRIDGE FUND

The fund was administratively established to account for the Blue Water Bridge project. Through provisions of Section 1012 in the federal ISTEA Act of 1991, the State Trunkline Fund received federal funds to be loaned to the Blue Water Bridge Fund for construction of the Blue Water Bridge project. Repayment of the \$45 million loan began in 1998. Repayments of the loan are expected to occur each fiscal year. The term of the loan will not exceed 30 years from the time the loan was obligated.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

COMPREHENSIVE TRANSPORTATION FUND

The Comprehensive Transportation Fund was created for the purpose of planning, developing and funding public transportation systems within the State. It was created by Public Acts 326, 327, and 328 of 1972, and Public Act 197 of 1973. In 1975, Public Acts 195, 196, and 239 were enacted, providing further additions and amendments to the laws governing this fund. Fund revenues consist primarily of federal and local revenues, a portion of vehicle-related sales tax, and transfers from the Michigan Transportation Fund. In accordance with statutory provisions, any unencumbered balance at fiscal year end lapses and reverts to the fund for appropriation in the following fiscal year.

STATE AERONAUTICS FUND

This fund, established by Public Act 327 of 1945, administers development and capital improvement projects for local airports. Its budget is subject to annual legislative review and appropriation. Financing consists mostly of federal and local contributions and aviation fuel taxes. Expenditures and transfers are for administration and local airport improvement project costs. At fiscal year end, in accordance with the annual appropriation act, any unencumbered balance lapses and reverts to the fund for appropriation in the following fiscal year.

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND

A separate fund is established to account for the proceeds of each bond issue. Revenue and expenditure data by individual proceeds fund is available in the Statistical Section, Schedule of Revenues and Expenditures by Fund.

The Combined State Trunkline Fund Bond Proceeds Fund consists of the following funds:

1989 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$136 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved issuance of \$136 million of Series A bonds in 1989. Approximately \$100 million of the proceeds are to be used for Transportation Economic Development Fund projects, and approximately \$30 million of the proceeds are to be used for the purchase of right-of-ways.

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND (continued)

1992 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$205.2 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan, but are payable solely out of the funds restricted as to use for state trunkline purposes by Section 9 Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

1992 STATE TRUNKLINE FUND CRITICAL BRIDGE BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act of 1951, as amended, to account for the proceeds of up to \$30 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan, but are payable solely out of the funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund.

The State Transportation Commission approved the issuance of \$253.6 million of Series A bonds in 1992. Approximately \$30 million of the proceeds are to be used to finance the costs of reconstruction and repair of critical bridge projects.

1994 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$150 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Approximately \$149.2 million of the proceeds are to be used to finance the construction of various trunkline transportation projects.

1996 STATE TRUNKLINE FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$54.5 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. The proceeds are to be used to finance the construction of various trunkline transportation projects and to pay the costs of issuance of the bonds.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

COMBINED STATE TRUNKLINE FUND BOND PROCEEDS FUND (continued)

2001 BUILD MICHIGAN III BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$308.2 million of state trunkline bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for state trunkline purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. The proceeds are to be used to finance the construction of various trunkline transportation projects and to pay the costs of issuance of the bonds.

2001 & 2002 BUILD MICHIGAN II GRANT ANTICIPATION NOTES

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$400 million of state trunkline notes. The notes will be secured by a pledge of, and be payable solely from the State of Michigan's share of federal reimbursements for projects administered by the department and other eligible federal assistance that the department shall receive from the Federal Highway Administration with respect to federally-aided highway construction projects under or in accordance with Title 23 of the United States Code or any success highway program established under federal law, and the moneys in the Note Payment Fund. Proceeds of the notes will be used to provide the Department with funds to advance and accelerate the completion of the Build Michigan II highway program.

COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND

A separate fund is established to account for the proceeds of each bond issue. Revenue and expenditure data by individual proceeds fund is available in the Statistical Section, Schedule of Revenues and Expenditures by Fund.

The Combined Comprehensive Transportation Bond Proceeds Fund consists of the following funds:

1992 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS FUND

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$35.2 million of comprehensive transportation bonds. The bonds are not general obligations of the State of

Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

**MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

**COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS
FUND (cont.)**

The State Transportation Commission approved the issuance of \$37.6 million of Series A bonds in 1992. Approximately \$35.2 million of the proceeds are to be used to finance the costs of construction and acquisition of comprehensive transportation projects.

In fiscal year 2001, the State Transportation Commission approved the issuance of \$27.8 million of Series A Bonds to refund the 1992 Series A Bonds. Proceeds from the sale of the bonds will be used to refund outstanding maturities and to pay issuance costs on the bonds.

**2002 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS
FUND**

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$82.3 million of comprehensive transportation bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

**2003 COMPREHENSIVE TRANSPORTATION FUND BOND PROCEEDS
FUND**

This fund was established pursuant to Section 18(b) of Public Act 51 of 1951, as amended, to account for the proceeds of up to \$35.0 million of comprehensive transportation bonds. The bonds are not general obligations of the State of Michigan but are payable solely out of the funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund.

TRANSPORTATION RELATED TRUST FUND

To achieve administrative efficiencies, effective October 1, 1990, the Special Federal Bridge Replacement Trust Fund, the Federal County Road Trust Fund, the Federal Urban Transportation System Trust Fund, and the Highway Topics and Safety Program Trust Fund were combined in a single trust fund. The Metropolitan Planning Fund was added in fiscal year 2000. The functions and purposes of these funds, although combined in a single fund, remain unchanged. The following sub-funds are included:

SPECIAL FEDERAL BRIDGE REPLACEMENT TRUST FUND

This fund was established in conjunction with the Federal Highway Act of 1970, Section 144. The fund accounts for the federal, state, and local funding used to upgrade state and locally-owned bridges.

MICHIGAN DEPARTMENT OF TRANSPORTATION DESCRIPTIONS OF SPECIAL REVENUE FUNDS FISCAL YEAR ENDED SEPTEMBER 30, 2003

TRANSPORTATION RELATED TRUST FUND (continued)

FEDERAL COUNTY ROAD TRUST FUND

This fund was established in conjunction with the Federal Highway Act of 1944, as amended. The fund accounts for the federal, state, and local money expended to meet the road construction needs of rural areas and communities with populations less than 5,000.

FEDERAL URBAN TRANSPORTATION SYSTEM TRUST FUND

This fund was created to administer provisions of the Federal Highway Act of 1970, as amended. The fund accounts for the federal, state, and local money expended to meet the road construction needs of communities with populations 5,000 or more.

HIGHWAY TOPICS AND SAFETY PROGRAM TRUST FUND

This fund was established in conjunction with the Federal Highway Acts of 1968 and 1973. The fund accounts for federal, state, and local money used to fund urban and road safety projects.

METROPOLITAN PLANNING FUND

This fund was established by the Federal Highway Act of 1973, Sections 112 and 134, to account for federal funds that reimburse local regional planning agencies for operating expenses.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2003 and 2002
 (In Thousands)

| | MICHIGAN TRANSPORTATION FUND | | STATE TRUNKLINE FUND | |
|--|------------------------------------|-------------------|----------------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002* |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 21 | 1,026 |
| Equity in Common Cash | 186,685 | 208,954 | 80,579 | 460,541 |
| Receivables: | | | | |
| Taxes, interest, and penalties (at net) | 116,895 | 121,264 | - | - |
| Federal aid | - | - | 77,625 | 102,321 |
| Local units | - | - | 24,837 | 28,213 |
| Other funds and component units | - | - | 519,992 | 48,123 |
| Miscellaneous | 6,892 | 7,429 | 8,486 | 8,726 |
| Inventories | - | - | 5,594 | 8,287 |
| Total Current Assets | <u>310,472</u> | <u>337,647</u> | <u>717,134</u> | <u>657,237</u> |
| Noncurrent Assets: | | | | |
| Receivables: | | | | |
| Taxes | 1,615 | 4,307 | - | - |
| Federal aid | - | - | - | - |
| Local units | - | - | 35,672 | 35,566 |
| Advances to other funds | - | - | 25,984 | 27,734 |
| Land contracts | - | - | 3,847 | 3,007 |
| Miscellaneous | - | - | - | - |
| Total Noncurrent Assets | <u>1,615</u> | <u>4,307</u> | <u>65,503</u> | <u>66,306</u> |
| Total Assets | <u>\$ 312,087</u> | <u>\$ 341,954</u> | <u>\$ 782,637</u> | <u>\$ 723,544</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Current Liabilities: | | | | |
| Warrants outstanding | \$ 540 | \$ 654 | \$ 26,326 | \$ 6,854 |
| Accounts payable | 236,512 | 236,958 | 120,400 | 126,747 |
| Contract reserve payable | - | - | 7,513 | 7,988 |
| Amounts due to other funds | 51,641 | 78,060 | 1,095 | 849 |
| Deposits, permits and other liabilities | - | - | 612 | 657 |
| Deferred revenue | 21,780 | 21,974 | 13,291 | 8,696 |
| Total Current Liabilities | <u>310,472</u> | <u>337,647</u> | <u>169,237</u> | <u>151,791</u> |
| Long-Term Liabilities: | | | | |
| Deferred revenue | 1,615 | 4,307 | 15,785 | 14,671 |
| Advances from other funds | - | - | - | - |
| Total Liabilities | <u>312,087</u> | <u>341,954</u> | <u>185,022</u> | <u>166,462</u> |
| Fund Balances: | | | | |
| Reserved for encumbrances | - | - | 27,009 | 21,083 |
| Reserved for unencumbered restricted revenue balances | - | - | 233,602 | 232,920 |
| Reserved for unencumbered capital outlay and work projects | - | - | 226,653 | 193,674 |
| Reserved for revolving loan programs | - | - | 14,472 | 18,390 |
| Reserved for construction & debt service | - | - | 55,247 | 45,315 |
| Reserved for noncurrent assets | - | - | 29,217 | 29,690 |
| Total Reserved | <u>-</u> | <u>-</u> | <u>586,200</u> | <u>541,071</u> |
| Unreserved | <u>-</u> | <u>-</u> | <u>11,415</u> | <u>16,010</u> |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>597,615</u> | <u>557,081</u> |
| Total Liabilities and Fund Balances | <u>\$ 312,087</u> | <u>\$ 341,954</u> | <u>\$ 782,637</u> | <u>\$ 723,544</u> |

* The FY 02 columns of the State Trunkline Fund and the Blue Water Bridge Fund have been restated to reflect the reserves for encumbrances and capital outlay in the Blue Water Bridge Fund column of the statement.

| BLUE WATER BRIDGE FUND | | COMPREHENSIVE TRANSPORTATION FUND | | STATE AERONAUTICS FUND | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND | |
|------------------------------|-----------|---|-----------|------------------------------|-----------|---|------------|
| 2003 | 2002* | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| \$ 30 | \$ 52 | \$ 14 | \$ | \$ | \$ 435 | \$ - | \$ 4 |
| 18,576 | 16,789 | 56,889 | 59,308 | 14,240 | 21,554 | 203,365 | 434,171 |
| - | - | - | - | 728 | 1,051 | - | - |
| - | - | 8,294 | 6,247 | 37,378 | 44,418 | 7,923 | 5,430 |
| - | - | 679 | 361 | 7,523 | 14,524 | 824 | 501 |
| - | - | 11,427 | 12,848 | - | - | - | 1,162 |
| 20 | 59 | 451 | 406 | 39 | 84 | 28 | 136 |
| - | - | - | - | - | - | - | - |
| 18,625 | 16,900 | 77,753 | 79,171 | 59,909 | 82,067 | 212,140 | 441,405 |
| | | | | | 15 | | |
| - | - | - | - | - | - | - | - |
| - | - | 4,726 | 3,713 | 648 | 790 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 2,161 | 2,604 | - | - | - | - |
| | | 6,886 | 6,317 | 649 | 805 | | |
| \$ 18,625 | \$ 16,900 | \$ 84,640 | \$ 85,488 | \$ 60,557 | \$ 82,872 | \$ 212,140 | \$ 441,405 |
| | | | | | | | |
| \$ 6 | \$ 58 | \$ 3,720 | \$ 2,398 | \$ 1,586 | \$ 613 | \$ 5,782 | \$ 597 |
| 257 | 134 | 11,626 | 10,432 | 31,799 | 62,526 | 13,322 | 28,951 |
| - | - | 32 | 27 | 807 | 849 | 870 | 1,158 |
| 2,213 | 2,208 | 40 | 12,778 | 25 | 17 | - | - |
| - | - | 31 | 675 | - | - | - | - |
| 815 | 801 | | | 7,760 | 4,941 | 641 | 529 |
| 3,291 | 3,200 | 15,449 | 26,311 | 41,977 | 68,946 | 20,616 | 31,234 |
| | | 2,161 | 2,604 | | 15 | | |
| 25,984 | 27,734 | - | - | - | - | - | - |
| 29,275 | 30,934 | 17,610 | 28,915 | 41,977 | 68,961 | 20,616 | 31,234 |
| 39 | 45 | 41,127 | 38,713 | 1,166 | 2,874 | - | - |
| - | - | 8,784 | 6,332 | - | - | - | - |
| 727 | 1,930 | 430 | 430 | 11,178 | 7,816 | - | - |
| - | - | 11,182 | 11,000 | 2,200 | 2,200 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 766 | 1,976 | 61,523 | 56,475 | 14,544 | 12,890 | - | - |
| (11,415) | (16,010) | 5,507 | 98 | 4,035 | 1,021 | 191,524 | 410,171 |
| (10,650) | (14,034) | 67,030 | 56,573 | 18,580 | 13,912 | 191,524 | 410,171 |
| \$ 18,625 | \$ 16,900 | \$ 84,640 | \$ 85,488 | \$ 60,557 | \$ 82,872 | \$ 212,140 | \$ 441,405 |

| | COMBINED TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | | TOTALS | |
|--|---|-----------|---|-----------|--------------|--------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 85 | \$ 625 | \$ 151 | \$ 2,142 |
| Equity in Common Cash | 106,488 | 90,708 | 3,669 | - | 670,490 | 1,292,026 |
| Receivables: | | | | | | |
| Taxes, interest, and penalties (at net) | - | - | - | - | 117,623 | 122,315 |
| Federal aid | - | - | 33,419 | 33,871 | 164,639 | 192,287 |
| Local units | - | - | 17,160 | 15,207 | 51,023 | 58,806 |
| Other funds and component units | - | - | - | - | 531,420 | 62,133 |
| Miscellaneous | - | - | 33 | 117 | 15,948 | 16,957 |
| Inventories | - | - | - | - | 5,594 | 8,287 |
| Total Current Assets | 106,488 | 90,708 | 54,366 | 49,820 | 1,556,888 | 1,754,955 |
| Noncurrent Assets: | | | | | | |
| Receivables: | | | | | | |
| Taxes | - | - | - | - | 1,615 | 4,322 |
| Federal aid | - | - | - | - | - | - |
| Local units | - | - | - | - | 41,047 | 40,069 |
| Bus and rail lease purchase | - | - | - | - | 25,984 | 27,734 |
| Land contracts | - | - | - | - | 3,847 | 3,007 |
| Miscellaneous | - | - | - | - | 2,161 | 2,604 |
| Total Noncurrent Assets | - | - | - | - | 74,653 | 77,736 |
| Total Assets | \$ 106,488 | \$ 90,708 | \$ 54,366 | \$ 49,820 | \$ 1,631,541 | \$ 1,832,691 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants outstanding | \$ 163 | \$ 88 | \$ 9,907 | \$ 670 | \$ 48,030 | \$ 11,932 |
| Accounts payable | 1,516 | 354 | 25,638 | 33,223 | 441,069 | 499,325 |
| Contract reserve payable | - | - | 4,590 | 9,315 | 13,813 | 19,336 |
| Amounts due to other funds | - | - | - | 1,162 | 55,013 | 95,075 |
| Deposits, permits and other liabilities | - | - | - | - | 643 | 1,332 |
| Deferred revenue | - | - | 14,232 | 5,451 | 58,519 | 42,392 |
| Total Current Liabilities | 1,679 | 442 | 54,366 | 49,820 | 617,087 | 669,392 |
| Long-Term Liabilities: | | | | | | |
| Deferred revenue | - | - | - | - | 19,561 | 21,597 |
| Advances from other funds | - | - | - | - | 25,984 | 27,734 |
| Total Liabilities | 1,679 | 442 | 54,366 | 49,820 | 662,632 | 718,722 |
| Fund Balances: | | | | | | |
| Reserved for encumbrances | - | - | - | - | 69,341 | 62,716 |
| Reserved for unencumbered restricted revenue balances | - | - | - | - | 242,386 | 239,252 |
| Reserved for unencumbered capital outlay and work projects | - | - | - | - | 238,987 | 203,850 |
| Reserved for Revolving Loan Programs | - | - | - | - | 27,854 | 31,590 |
| Reserved for construction & debt service | - | - | - | - | 55,247 | 45,315 |
| Reserved for noncurrent assets | - | - | - | - | 29,217 | 29,690 |
| Total Reserved | - | - | - | - | 663,033 | 612,412 |
| Unreserved | 104,809 | 90,266 | - | - | 305,876 | 501,556 |
| Total Fund Balances | 104,809 | 90,266 | - | - | 968,909 | 1,113,968 |
| Total Liabilities and Fund Balances | \$ 106,488 | \$ 90,708 | \$ 54,366 | \$ 49,820 | \$ 1,631,541 | \$ 1,832,691 |

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | MICHIGAN TRANSPORTATION FUND | | STATE TRUNKLINE FUND | |
|--|------------------------------------|--------------------|----------------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 |
| REVENUES | | | | |
| Taxes | \$ 1,937,851 | \$ 1,910,117 | \$ - | \$ - |
| License and permits | 56,670 | 58,024 | 17,990 | 15,794 |
| Federal aid | - | - | 552,141 | 567,187 |
| Local participation | - | - | 28,589 | 31,514 |
| Interest earnings on common cash | 3,688 | 4,496 | 6,008 | 7,473 |
| Non-operating revenue-bridges | - | - | 2,122 | 2,223 |
| Miscellaneous revenue | 250 | 258 | 30,226 | 27,220 |
| Total Revenues | <u>1,998,459</u> | <u>1,972,895</u> | <u>637,075</u> | <u>651,411</u> |
| EXPENDITURES | | | | |
| Administration and Operations: | | | | |
| Administration and maintenance | 233 | 43 | 358,110 | 364,843 |
| Bus operating assistance grants | - | - | - | - |
| Other grants | 936,206 | 920,905 | 129,628 | 137,941 |
| Airport development | - | - | - | - |
| Non-operating expenditures-bridges | - | - | 2,051 | 2,152 |
| Trust fund construction activity | - | - | - | - |
| Capital lease payments | - | - | 160 | 252 |
| Total Administration and Operations | <u>936,439</u> | <u>920,948</u> | <u>489,948</u> | <u>505,188</u> |
| Capital Outlay: | | | | |
| Roads and bridges | - | - | 784,433 | 778,579 |
| Other capital outlay | - | - | 9,636 | 12,654 |
| Total Capital Outlay | <u>-</u> | <u>-</u> | <u>794,069</u> | <u>791,233</u> |
| Total Expenditures | <u>936,439</u> | <u>920,948</u> | <u>1,284,017</u> | <u>1,296,420</u> |
| Excess of Revenues Over (Under) Expenditures | <u>1,062,020</u> | <u>1,051,947</u> | <u>(646,942)</u> | <u>(645,009)</u> |
| OTHER FINANCING SOURCES | | | | |
| Michigan transportation fund distribution | - | - | 646,616 | 641,056 |
| Grants and transfers from other funds | 1,947 | 1,340 | 146,025 | 189,732 |
| Proceeds from notes issued | - | - | - | - |
| Proceeds from bonds issued | - | - | - | - |
| Premium on bonds issued | - | - | - | - |
| Total Other Financing Sources | <u>1,947</u> | <u>1,340</u> | <u>792,641</u> | <u>830,788</u> |
| OTHER FINANCING USES | | | | |
| Michigan transportation fund distribution | 808,940 | 801,587 | - | - |
| Grants and transfers to other funds | 255,027 | 251,699 | 24,466 | 26,493 |
| Debt service | - | - | 80,700 | 64,383 |
| Total Other Financing Uses | <u>1,063,967</u> | <u>1,053,286</u> | <u>105,166</u> | <u>90,877</u> |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | <u>(1,062,020)</u> | <u>(1,051,947)</u> | <u>687,475</u> | <u>739,911</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | - | - | 40,534 | 94,902 |
| Fund balances-Beginning of fiscal year | - | - | 557,081 | 462,179 |
| Fund balances-End of fiscal year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 597,615</u> | <u>\$ 557,081</u> |

| BLUE WATER BRIDGE FUND | | COMPREHENSIVE TRANSPORTATION FUND | | STATE AERONAUTICS FUND | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND | |
|------------------------------|--------------------|---|------------------|------------------------------|------------------|---|-------------------|
| 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| \$ - | \$ - | \$ 79,440 | \$ 78,819 | \$ 7,402 | \$ 6,699 | \$ - | \$ - |
| - | - | 264 | 294 | 293 | 286 | - | - |
| - | - | 25,523 | 27,789 | 75,039 | 106,090 | 22,299 | 49,334 |
| - | - | 30 | 43 | 12,272 | 16,351 | 2,949 | 6,679 |
| 243 | 342 | 327 | 727 | 300 | 508 | 4,516 | 8,252 |
| - | - | - | - | - | - | - | - |
| <u>12,011</u> | <u>11,136</u> | <u>3,964</u> | <u>1,254</u> | <u>826</u> | <u>1,086</u> | <u>1,034</u> | <u>217</u> |
| <u>12,254</u> | <u>11,478</u> | <u>109,548</u> | <u>108,926</u> | <u>96,131</u> | <u>131,020</u> | <u>30,799</u> | <u>64,482</u> |
| 4,399 | 3,954 | 10,046 | 9,795 | 5,723 | 6,081 | 1,018 | 3 |
| - | - | 170,449 | 172,043 | - | - | - | - |
| - | - | 60,450 | 62,306 | - | - | - | - |
| - | - | - | - | 111,363 | 153,249 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>4,399</u> | <u>3,954</u> | <u>240,946</u> | <u>244,144</u> | <u>117,086</u> | <u>159,330</u> | <u>1,018</u> | <u>3</u> |
| 2,204 | 1,529 | - | - | - | - | 239,613 | 364,016 |
| - | - | - | - | - | - | - | - |
| <u>2,204</u> | <u>1,529</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>239,613</u> | <u>364,016</u> |
| <u>6,603</u> | <u>5,483</u> | <u>240,946</u> | <u>244,144</u> | <u>117,086</u> | <u>159,330</u> | <u>240,632</u> | <u>364,019</u> |
| <u>5,651</u> | <u>5,995</u> | <u>(131,398)</u> | <u>(135,218)</u> | <u>(20,954)</u> | <u>(28,310)</u> | <u>(209,833)</u> | <u>(299,537)</u> |
| - | - | 162,324 | 160,531 | - | - | - | - |
| - | - | 1,405 | 1,238 | 26,228 | 24,599 | 731 | 8,640 |
| - | - | - | - | - | - | - | 200,000 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>163,729</u> | <u>161,769</u> | <u>26,228</u> | <u>24,599</u> | <u>731</u> | <u>208,640</u> |
| - | - | - | - | - | - | - | - |
| 3 | 2,534 | 382 | 22,829 | 605 | 279 | 9,545 | 16,068 |
| 2,264 | 2,309 | 21,492 | 21,351 | - | - | - | - |
| <u>2,266</u> | <u>4,844</u> | <u>21,874</u> | <u>44,180</u> | <u>605</u> | <u>279</u> | <u>9,545</u> | <u>16,068</u> |
| <u>(2,266)</u> | <u>(4,844)</u> | <u>141,855</u> | <u>117,589</u> | <u>25,622</u> | <u>24,321</u> | <u>(8,814)</u> | <u>192,572</u> |
| 3,385 | 1,152 | 10,457 | (17,629) | 4,668 | (3,990) | (218,646) | (106,965) |
| (14,034) | (15,186) | 56,573 | 74,202 | 13,912 | 17,901 | 410,171 | 517,136 |
| <u>\$ (10,650)</u> | <u>\$ (14,034)</u> | <u>\$ 67,030</u> | <u>\$ 56,573</u> | <u>\$ 18,580</u> | <u>\$ 13,912</u> | <u>\$ 191,524</u> | <u>\$ 410,171</u> |

| | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | | TOTALS | |
|--|--|-----------|---|---------|--------------|--------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,024,694 | \$ 1,995,635 |
| License and permits | - | - | - | - | 75,217 | 74,398 |
| Federal aid | - | - | 191,306 | 194,139 | 866,308 | 944,540 |
| Local participation | - | - | 79,892 | 78,687 | 123,732 | 133,273 |
| Interest earnings on common cash | 1,262 | 244 | - | - | 16,344 | 22,042 |
| Non-operating revenue-bridges | - | - | - | - | 2,122 | 2,223 |
| Miscellaneous revenue | 12 | 7 | 125 | 11 | 48,448 | 41,191 |
| Total Revenues | 1,274 | 251 | 271,322 | 272,838 | 3,156,863 | 3,213,301 |
| EXPENDITURES | | | | | | |
| Administration and Operations: | | | | | | |
| Administration and maintenance | - | - | - | - | 379,529 | 384,719 |
| Bus operating assistance grants | - | - | - | - | 170,449 | 172,043 |
| Other grants | 8,973 | 6,143 | - | - | 1,135,258 | 1,127,295 |
| Airport development | - | - | - | - | 111,363 | 153,249 |
| Non-operating expenditures-bridges | - | - | - | - | 2,051 | 2,152 |
| Trust fund construction activity | - | - | 281,712 | 277,694 | 281,712 | 277,694 |
| Capital lease payments | - | - | - | - | 160 | 252 |
| Total Administration and Operations | 8,973 | 6,143 | 281,712 | 277,694 | 2,080,521 | 2,117,404 |
| Capital Outlay: | | | | | | |
| Roads and bridges | - | - | - | - | 1,026,250 | 1,144,124 |
| Other capital outlay | - | - | - | - | 9,636 | 12,654 |
| Total Capital Outlay | - | - | - | - | 1,035,886 | 1,156,778 |
| Total Expenditures | 8,973 | 6,143 | 281,712 | 277,694 | 3,116,407 | 3,274,182 |
| Excess of Revenues Over (Under) Expenditures | (7,698) | (5,892) | (10,390) | (4,856) | 40,457 | (60,881) |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | - | 808,940 | 801,587 |
| Grants and transfers from other funds and Components | - | - | 10,473 | 4,888 | 186,809 | 230,438 |
| Proceeds from notes issued | - | - | - | - | - | 200,000 |
| Proceeds from bonds issued | 35,020 | 82,310 | - | - | 35,020 | 82,310 |
| Premium on bond issues | 1,362 | 6,722 | - | - | 1,362 | 6,722 |
| Total Other Financing Sources | 36,382 | 89,032 | 10,473 | 4,888 | 1,032,131 | 1,321,057 |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | - | - | - | - | 808,940 | 801,587 |
| Grants and transfers to other funds and Components | 14,140 | 3 | 83 | 32 | 304,251 | 319,937 |
| Debt service | - | - | - | - | 104,455 | 88,044 |
| Total Other Financing Uses | 14,140 | 3 | 83 | 32 | 1,217,647 | 1,209,568 |
| Excess of Other Financing Sources Over (Under) Other Financing Uses | 22,242 | 89,030 | 10,390 | 4,856 | (185,516) | 111,489 |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | 14,543 | 83,138 | - | - | (145,059) | 50,608 |
| Fund balances-Beginning of fiscal year | 90,266 | 7,128 | - | - | 1,113,968 | 1,063,361 |
| Fund balances-End of fiscal year | \$ 104,809 | \$ 90,266 | \$ - | \$ - | \$ 968,909 | \$ 1,113,968 |

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003
(In Thousands)

| (Statutory/Budgetary Basis) | MICHIGAN TRANSPORTATION FUND | | | STATE TRUNKLINE FUND | | |
|---|------------------------------|--------------|--|----------------------|------------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | | | | | | |
| Taxes | \$ 1,937,851 | \$ 1,937,851 | \$ - | \$ - | \$ - | \$ - |
| License and permits | 56,670 | 56,670 | - | 17,990 | 17,990 | - |
| Federal aid | - | - | - | 552,141 | 552,141 | - |
| Local participation | - | - | - | 28,589 | 28,589 | - |
| Interest earnings | 3,688 | 3,688 | - | 6,008 | 6,008 | - |
| Nonoperating revenue-bridges | - | - | - | 2,122 | 2,122 | - |
| Miscellaneous revenue | 250 | 250 | - | 30,226 | 30,226 | - |
| Total Revenues | 1,998,459 | 1,998,459 | - | 637,075 | 637,075 | - |
| EXPENDITURES AND ENCUMBRANCES | | | | | | |
| Administration | - | 233 | (233) | 411,382 | 381,800 | 29,582 |
| Bus operating assistance grants | - | - | - | - | - | - |
| Other grants | 939,576 | 936,206 | 3,370 | 187,015 | 129,679 | 57,336 |
| Airport development | - | - | - | - | - | - |
| Nonoperating expenditure-bridges | - | - | - | 2,122 | 2,051 | 71 |
| Total Administration and Operations | 939,576 | 936,439 | 3,137 | 600,518 | 513,529 | 86,989 |
| Roads and bridges | - | - | - | 786,086 | 785,287 | 799 |
| Other capital outlay | - | - | - | 66,690 | 12,209 | 54,480 |
| Total Capital Outlay | - | - | - | 852,776 | 797,497 | 55,279 |
| Total Expenditures and Encumbrances | 939,576 | 936,439 | 3,137 | 1,453,294 | 1,311,026 | 142,268 |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | 1,058,883 | 1,062,020 | 3,137 | (816,219) | (673,951) | 142,268 |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | 646,616 | 646,616 | - |
| Grants and transfers from other funds | 1,947 | 1,947 | - | 146,025 | 146,025 | - |
| Total Financing Sources | 1,947 | 1,947 | - | 792,641 | 792,641 | - |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | 813,014 | 808,940 | 4,074 | - | - | - |
| Grants and transfers to other funds | 265,849 | 255,027 | 10,822 | 16,016 | 24,466 | (8,450) |
| Debt service | - | - | - | 92,201 | 80,700 | 11,501 |
| Total Financing Uses | 1,078,863 | 1,063,967 | 14,896 | 108,217 | 105,166 | 3,052 |
| Excess Other Financial Sources Over(Under) Other Financial Uses | (1,076,916) | (1,062,020) | 14,896 | 684,423 | 687,475 | 3,052 |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (18,033) | - | \$ 18,033 | \$ (131,795) | 13,525 | \$ 145,320 |
| (Statutory/Budgetary Basis) | | | | | | |
| Encumbrances at September 30 | | - | | | 27,009 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | - | | | 27,009 | |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | - | | | 40,534 | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning of fiscal year | | - | | | 557,081 | |
| End of fiscal year | | \$ - | | | \$ 597,615 | |

| BLUE WATER BRIDGE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | |
|------------------------|----------|--|-----------------------------------|-----------|--|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ - | \$ - | \$ - | \$ 79,440 | \$ 79,440 | \$ - |
| - | - | - | 264 | 264 | - |
| - | - | - | 25,523 | 25,523 | - |
| - | - | - | 30 | 30 | - |
| 243 | 243 | - | 327 | 327 | - |
| - | - | - | - | - | - |
| 12,011 | 12,011 | - | 3,964 | 3,964 | - |
| 12,254 | 12,254 | - | 109,548 | 109,548 | - |
| 10,355 | 4,438 | 5,917 | 11,466 | 10,696 | 770 |
| - | - | - | 171,472 | 171,470 | 2 |
| - | - | - | 106,186 | 99,907 | 6,279 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 10,355 | 4,438 | 5,917 | 289,124 | 282,073 | 7,051 |
| 2,204 | 2,204 | - | - | - | - |
| - | - | - | - | - | - |
| 2,204 | 2,204 | - | - | - | - |
| 12,558 | 6,642 | 5,917 | 289,124 | 282,073 | 7,051 |
| (305) | 5,612 | 5,917 | (179,576) | (172,525) | 7,051 |
| - | - | - | 162,324 | 162,324 | - |
| - | - | - | 1,405 | 1,405 | - |
| - | - | - | 163,729 | 163,729 | - |
| - | - | - | - | - | - |
| - | 3 | (3) | 403 | 382 | 21 |
| 2,308 | 2,264 | 45 | 21,492 | 21,492 | - |
| 2,308 | 2,266 | 42 | 21,895 | 21,874 | 21 |
| (2,308) | (2,266) | 42 | 141,834 | 141,855 | 21 |
| \$ (2,613) | 3,345 | \$ 5,958 | \$ (37,742) | (30,670) | \$ 7,072 |
| | 39 | | | 41,127 | |
| | - | | | - | |
| | 39 | | | 41,127 | |
| | 3,385 | | | 10,457 | |
| | (14,034) | | | 56,573 | |
| \$ (10,650) | | | \$ 67,030 | | |

| | STATE AERONAUTICS FUND | | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND |
|---|------------------------|-----------|--|---|
| (Statutory/Budgetary Basis) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | ACTUAL |
| REVENUES | | | | |
| Taxes | \$ 7,402 | \$ 7,402 | \$ - | \$ - |
| License and permits | 293 | 293 | - | - |
| Federal aid | 75,039 | 75,039 | - | - |
| Local participation | 12,272 | 12,272 | - | - |
| Interest earnings | 300 | 300 | - | - |
| Nonoperating revenue-bridges | - | - | - | - |
| Miscellaneous revenue | 826 | 826 | - | - |
| Total Revenues | 96,131 | 96,131 | - | - |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Administration | 6,553 | 5,737 | 817 | - |
| Bus operating assistance grants | - | - | - | - |
| Other grants | - | - | - | - |
| Airport development | 113,844 | 112,515 | 1,328 | - |
| Nonoperating expenditure-bridges | - | - | - | - |
| Total Administration and Operations | 120,397 | 118,252 | 2,145 | - |
| Roads and bridges | - | - | - | - |
| Other capital outlay | - | - | - | - |
| Total Capital Outlay | - | - | - | - |
| Total Expenditures and Encumbrances | 120,397 | 118,252 | 2,145 | - |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | (24,265) | (22,120) | 2,145 | - |
| OTHER FINANCING SOURCES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Grants and transfers from other funds and components | 26,228 | 26,228 | - | - |
| Total Financing Sources | 26,228 | 26,228 | - | - |
| OTHER FINANCING USES | | | | |
| Michigan transportation fund distribution | - | - | - | - |
| Grants and transfers to other funds and components | 655 | 605 | 49 | - |
| Debt service | - | - | - | - |
| Total Financing Uses | 655 | 605 | 49 | - |
| Excess Other Financial Sources Over(Under) Other Financial Uses | 25,573 | 25,622 | 49 | - |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ 1,308 | 3,502 | \$ 2,194 | - |
| (Statutory/Budgetary Basis) | | | | |
| Encumbrances at September 30 | | 1,166 | | - |
| Funds not annually budgeted | | - | | (218,646) |
| Net Reconciling Items | | 1,166 | | (218,646) |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | 4,668 | | (218,646) |
| FUND BALANCES (GAAP BASIS) | | | | |
| Beginning of fiscal year | | 13,912 | | 410,171 |
| End of fiscal year | | \$ 18,580 | | \$ 191,524 |

| COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND | | TRANSPORTATION RELATED TRUST FUND | TOTALS | | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|--------|---|--------------|------------|--|
| ACTUAL | ACTUAL | BUDGET | ACTUAL | | |
| \$ - | \$ - | \$ 2,024,694 | \$ 2,024,694 | \$ - | |
| - | - | 75,217 | 75,217 | - | |
| - | - | 652,702 | 652,702 | - | |
| - | - | 40,891 | 40,891 | - | |
| - | - | 10,565 | 10,565 | - | |
| - | - | 2,122 | 2,122 | - | |
| - | - | 47,277 | 47,277 | - | |
| - | - | 2,853,468 | 2,853,468 | - | |
| - | - | 439,756 | 402,903 | 36,852 | |
| - | - | 171,472 | 171,470 | 2 | |
| - | - | 1,232,777 | 1,165,792 | 66,985 | |
| - | - | 113,844 | 112,515 | 1,328 | |
| - | - | 2,122 | 2,051 | 71 | |
| - | - | 1,959,970 | 1,854,731 | 105,239 | |
| - | - | 788,290 | 787,491 | 799 | |
| - | - | 66,690 | 12,209 | 54,480 | |
| - | - | 854,980 | 799,700 | 55,279 | |
| - | - | 2,814,950 | 2,654,432 | 160,518 | |
| - | - | 38,518 | 199,036 | 160,518 | |
| - | - | 808,940 | 808,940 | - | |
| - | - | 175,605 | 175,605 | - | |
| - | - | 984,544 | 984,544 | - | |
| - | - | 813,014 | 808,940 | 4,074 | |
| - | - | 282,923 | 280,483 | 2,440 | |
| - | - | 116,001 | 104,455 | 11,546 | |
| - | - | 1,211,938 | 1,193,878 | 18,060 | |
| - | - | (227,393) | (209,334) | 18,060 | |
| - | - | \$ (188,875) | (10,298) | \$ 178,578 | |
| - | - | | 69,341 | | |
| 14,543 | - | | (204,103) | | |
| 14,543 | - | | (134,762) | | |
| 14,543 | - | | (145,059) | | |
| 90,266 | - | | 1,113,968 | | |
| \$ 104,809 | \$ - | | \$ 968,909 | | |

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002
(In Thousands)

| (Statutory/Budgetary Basis) | MICHIGAN TRANSPORTATION FUND | | | STATE TRUNKLINE FUND | | |
|---|------------------------------|--------------|--|----------------------|------------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| REVENUES | | | | | | |
| Taxes | \$ 1,910,117 | \$ 1,910,117 | \$ - | \$ - | \$ - | \$ - |
| License and permits | 58,024 | 58,024 | - | 15,794 | 15,794 | - |
| Federal aid | - | - | - | 567,187 | 567,187 | - |
| Local participation | - | - | - | 31,514 | 31,514 | - |
| Interest earnings | 4,496 | 4,496 | - | 7,473 | 7,473 | - |
| Nonoperating revenue-bridges | - | - | - | 2,223 | 2,223 | - |
| Miscellaneous revenue | 258 | 258 | - | 27,220 | 27,220 | - |
| Total Revenues | 1,972,895 | 1,972,895 | - | 651,411 | 651,411 | - |
| EXPENDITURES AND ENCUMBRANCES | | | | | | |
| Administration | - | 43 | (43) | 413,017 | 381,806 | 31,211 |
| Bus operating assistance grants | - | - | - | - | - | - |
| Other grants | 934,947 | 920,905 | 14,042 | 196,690 | 137,941 | 58,749 |
| Airport development | - | - | - | - | - | - |
| Nonoperating expenditure-bridges | - | - | - | 2,223 | 2,152 | 71 |
| Total Administration and Operations | 934,947 | 920,948 | 13,999 | 611,930 | 521,898 | 90,032 |
| Roads and bridges | - | - | - | 788,408 | 779,357 | 9,052 |
| Other capital outlay | - | - | - | 61,588 | 16,248 | 45,340 |
| Total Capital Outlay | - | - | - | 849,997 | 795,605 | 54,391 |
| Total Expenditures and Encumbrances | 934,947 | 920,948 | 13,999 | 1,461,927 | 1,317,503 | 144,423 |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | 1,037,948 | 1,051,947 | 13,999 | (810,515) | (666,092) | 144,423 |
| OTHER FINANCING SOURCES | | | | | | |
| Michigan transportation fund distribution | - | - | - | 641,056 | 641,056 | - |
| Grants and transfers from other funds | 1,340 | 1,340 | - | 189,732 | 189,732 | - |
| Total Financing Sources | 1,340 | 1,340 | - | 830,788 | 830,788 | - |
| OTHER FINANCING USES | | | | | | |
| Michigan transportation fund distribution | 812,540 | 801,587 | 10,953 | - | - | - |
| Grants and transfers to other funds | 262,731 | 251,699 | 11,031 | 15,253 | 26,493 | (11,241) |
| Debt service | - | - | - | 64,384 | 64,383 | - |
| Total Financing Uses | 1,075,270 | 1,053,286 | 21,984 | 79,636 | 90,877 | (11,241) |
| Excess Other Financial Sources Over(Under) Other Financial Uses | (1,073,931) | (1,051,947) | 21,984 | 751,151 | 739,911 | (11,241) |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses | \$ (35,983) | - | \$ 35,983 | \$ (59,364) | 73,819 | \$ 133,183 |
| (Statutory/Budgetary Basis) | | | | | | |
| Encumbrances at September 30 | | - | | | 21,083 | |
| Funds not annually budgeted | | - | | | - | |
| Net Reconciling Items | | - | | | 21,083 | |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | - | | | 94,902 | |
| FUND BALANCES (GAAP BASIS) | | | | | | |
| Beginning of fiscal year | | - | | | 462,179 | |
| End of fiscal year | | \$ - | | | \$ 557,081 | |

| BLUE WATER BRIDGE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | |
|------------------------|-----------------|--|-----------------------------------|------------------|--|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ | \$ | \$ | \$ | \$ | \$ |
| | - | - | 78,819 | 78,819 | - |
| | - | - | 294 | 294 | - |
| | - | - | 27,789 | 27,789 | - |
| | - | - | 43 | 43 | - |
| 342 | 342 | - | 727 | 727 | - |
| | - | - | - | - | - |
| <u>11,136</u> | <u>11,136</u> | <u>-</u> | <u>1,254</u> | <u>1,254</u> | <u>-</u> |
| <u>11,478</u> | <u>11,478</u> | <u>-</u> | <u>108,926</u> | <u>108,926</u> | <u>-</u> |
| 10,414 | 3,999 | 6,415 | 11,250 | 10,040 | 1,210 |
| - | - | - | 176,291 | 172,043 | 4,248 |
| - | - | - | 111,743 | 100,774 | 10,970 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>10,414</u> | <u>3,999</u> | <u>6,415</u> | <u>299,285</u> | <u>282,857</u> | <u>16,428</u> |
| <u>4,040</u> | <u>1,529</u> | <u>2,511</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>4,040</u> | <u>1,529</u> | <u>2,511</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>14,454</u> | <u>5,528</u> | <u>8,926</u> | <u>299,285</u> | <u>282,857</u> | <u>16,428</u> |
| <u>(2,976)</u> | <u>5,950</u> | <u>8,926</u> | <u>(190,359)</u> | <u>(173,931)</u> | <u>16,428</u> |
| - | - | - | 160,531 | 160,531 | - |
| - | - | - | 1,238 | 1,238 | - |
| - | - | - | 161,769 | 161,769 | - |
| - | - | - | - | - | - |
| - | 2,534 | (2,534) | 22,795 | 22,829 | (33) |
| <u>2,309</u> | <u>2,309</u> | <u>-</u> | <u>21,799</u> | <u>21,351</u> | <u>447</u> |
| <u>2,309</u> | <u>4,844</u> | <u>(2,534)</u> | <u>44,594</u> | <u>44,180</u> | <u>414</u> |
| <u>(2,309)</u> | <u>(4,844)</u> | <u>(2,534)</u> | <u>117,175</u> | <u>117,589</u> | <u>414</u> |
| \$ <u>(5,285)</u> | <u>1,106</u> | \$ <u>6,391</u> | \$ <u>(73,184)</u> | <u>(56,342)</u> | \$ <u>16,842</u> |
| | 45 | | | 38,713 | |
| | - | | | - | |
| | <u>45</u> | | | <u>38,713</u> | |
| | <u>1,152</u> | | | <u>(17,629)</u> | |
| | <u>(15,186)</u> | | | <u>74,202</u> | |
| \$ <u>(14,034)</u> | | | \$ <u>56,573</u> | | |

| | STATE AERONAUTICS FUND | | | COMBINED TRUNKLINE FUND BOND PROCEEDS FUND | COMBINED COMPREHENSIVE TRANSPORTATION BOND PROCEEDS FUND |
|--|------------------------|-----------|--|---|---|
| (Statutory/Budgetary Basis) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | ACTUAL | ACTUAL |
| REVENUES | | | | | |
| Taxes | \$ 6,699 | \$ 6,699 | \$ - | \$ - | \$ - |
| License and permits | 286 | 286 | - | - | - |
| Federal aid | 106,090 | 106,090 | - | - | - |
| Local participation | 16,351 | 16,351 | - | - | - |
| Interest earnings | 508 | 508 | - | - | - |
| Nonoperating revenue-bridges | - | - | - | - | - |
| Miscellaneous revenue | 1,086 | 1,086 | - | - | - |
| Total Revenues | 131,020 | 131,020 | - | - | - |
| EXPENDITURES AND ENCUMBRANCES | | | | | |
| Administration | 7,113 | 6,132 | 981 | - | - |
| Bus operating assistance grants | - | - | - | - | - |
| Other grants | - | - | - | - | - |
| Airport development | 156,871 | 156,072 | 798 | - | - |
| Nonoperating expenditure-bridges | - | - | - | - | - |
| Total Administration and Operations | 163,984 | 162,204 | 1,779 | - | - |
| Roads and bridges | - | - | - | - | - |
| Other capital outlay | - | - | - | - | - |
| Total Capital Outlay | - | - | - | - | - |
| Total Expenditures and Encumbrances | 163,984 | 162,204 | 1,779 | - | - |
| Excess of Revenue Over(Under) Expenditures and Encumbrances | (32,964) | (31,185) | 1,779 | - | - |
| OTHER FINANCING SOURCES | | | | | |
| Michigan transportation fund distribution | - | - | - | - | - |
| Grants and transfers from other funds and components | 24,599 | 24,599 | - | - | - |
| Total Financing Sources | 24,599 | 24,599 | - | - | - |
| OTHER FINANCING USES | | | | | |
| Michigan transportation fund distribution | - | - | - | - | - |
| Grants and transfers to other funds and components | 413 | 279 | 135 | - | - |
| Debt service | - | - | - | - | - |
| Total Financing Uses | 413 | 279 | 135 | - | - |
| Excess Other Financial Sources Over(Under) Other Financial Uses | 24,186 | 24,321 | 135 | - | - |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures, Encumbrances and Other Financial Uses (Statutory/Budgetary Basis) | \$ (8,778) | (6,864) | \$ 1,914 | - | - |
| Encumbrances at September 30 | | 2,874 | | - | - |
| Funds not annually budgeted | | - | | (106,965) | 83,138 |
| Net Reconciling Items | | 2,874 | | (106,965) | 83,138 |
| Excess of Revenue and Other Financial Sources Over(Under) Expenditures and Other Financial Uses (GAAP Basis) | | (3,990) | | (106,965) | 83,138 |
| FUND BALANCES (GAAP BASIS) | | | | | |
| Beginning of fiscal year | | 17,901 | | 517,136 | 7,128 |
| End of fiscal year | | \$ 13,912 | | \$ 410,171 | \$ 90,266 |

| TRANSPORTATION RELATED TRUST FUND | | TOTALS | |
|---|--------------|--------------|--|
| ACTUAL | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| \$ - | \$ 1,995,635 | \$ 1,995,635 | \$ - |
| - | 74,398 | 74,398 | - |
| - | 701,066 | 701,066 | - |
| - | 47,907 | 47,907 | - |
| - | 13,546 | 13,546 | - |
| - | 2,223 | 2,223 | - |
| - | 40,955 | 40,955 | - |
| - | 2,875,730 | 2,875,730 | - |
| - | 441,793 | 402,020 | 39,773 |
| - | 176,291 | 172,043 | 4,248 |
| - | 1,243,381 | 1,159,620 | 83,761 |
| - | 156,871 | 156,072 | 798 |
| - | 2,223 | 2,152 | 71 |
| - | 2,020,559 | 1,891,907 | 128,652 |
| - | 792,448 | 780,886 | 11,563 |
| - | 61,588 | 16,248 | 45,340 |
| - | 854,037 | 797,134 | 56,903 |
| - | 2,874,596 | 2,689,041 | 185,554 |
| - | 1,134 | 186,689 | 185,554 |
| - | 801,587 | 801,587 | - |
| - | 216,909 | 216,909 | - |
| - | 1,018,496 | 1,018,496 | - |
| - | 812,540 | 801,587 | 10,953 |
| - | 301,192 | 303,834 | (2,642) |
| - | 88,492 | 88,044 | 447 |
| - | 1,202,223 | 1,193,465 | 8,758 |
| - | (183,728) | (174,969) | 8,758 |
| - | \$ (182,594) | 11,719 | \$ 194,313 |
| - | | 62,716 | |
| - | | (23,828) | |
| - | | 38,888 | |
| - | | 50,608 | |
| - | | 1,063,361 | |
| \$ - | | \$ 1,113,968 | |

MICHIGAN DEPARTMENT OF TRANSPORTATION
DESCRIPTIONS OF DEBT SERVICE FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to Public Act 51 of 1951, as amended, to account for debt service on all State Trunkline Fund related bond issues. As of October 1, 1986, the debt service funds for the outstanding bond issues were merged by equity transfer into this debt service fund. The funds merged include the 1983 State Trunkline Fund Bond and Interest Redemption Fund, the 1984 State Trunkline Fund Bond and Interest Redemption Fund, the 1986 State Trunkline Refunding Bond and Interest Redemption Fund, and the Michigan Trunkline Bond and Interest Redemption Fund, Series II through IX. All subsequent State Trunkline Fund related bond issues are accounted for in this fund.

The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the State Trunkline Fund. Debt service requirements are funded by annual appropriations in the State Trunkline Fund.

COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND

This fund was established pursuant to Public Act 51 of 1951, as amended, to account for debt service on all Comprehensive Transportation Fund related bond issues. As of October 1, 1986, the debt service funds for outstanding bond issues were merged by equity transfer into this debt service fund. The funds merged include the Comprehensive Transportation Bond and Interest Redemption Fund, and the 1986 Comprehensive Transportation Refunding Bond and Interest Redemption Fund. All subsequent Comprehensive Transportation Fund related bond issues are accounted for in this fund.

The bonds are not general obligations of the State of Michigan but are payable solely out of funds restricted as to use for comprehensive transportation purposes by Section 9 of Article IX of the Michigan Constitution and irrevocably pledged by law for deposit in the Comprehensive Transportation Fund. Debt service requirements are funded by annual appropriations in the Comprehensive Transportation Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | | TOTALS | |
|--|--|---------------|---|-------------|---------------|---------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Equity in Common Cash | \$ 347 | \$ 190 | \$ - | \$ - | \$ 347 | \$ 190 |
| Amounts due from other funds | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - |
| Total Assets | <u>\$ 347</u> | <u>\$ 190</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 347</u> | <u>\$ 190</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Current Liabilities: | | | | | | |
| Warrants Outstanding | \$ 321 | \$ - | \$ - | \$ - | \$ 321 | \$ - |
| Accounts payable and other liabilities | 26 | 190 | - | - | 26 | 190 |
| Amounts due to other funds | - | - | - | - | - | - |
| Total Liabilities | <u>347</u> | <u>190</u> | <u>-</u> | <u>-</u> | <u>347</u> | <u>190</u> |
| Fund Balances: | | | | | | |
| Unreserved | - | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 347</u> | <u>\$ 190</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 347</u> | <u>\$ 190</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | COMBINED STATE TRUNKLINE BOND AND INTEREST REDEMPTION FUND | | COMBINED COMPREHENSIVE TRANSPORTATION BOND AND INTEREST REDEMPTION FUND | | TOTALS | |
|---|--|------------|---|------------|------------|------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| REVENUES | | | | | | |
| Interest earnings | \$ _____ | \$ _____ | \$ _____ - | \$ _____ 1 | \$ _____ | \$ _____ 1 |
| Total Revenues | _____ | _____ | _____ - | _____ 1 | _____ | _____ 1 |
| EXPENDITURES | | | | | | |
| Costs of issuance | - | 683 | - | 616 | - | 1,299 |
| Bond principal retirement | 26,220 | 19,690 | 11,655 | 11,130 | 37,875 | 30,820 |
| Bond interest and fiscal charges | 47,647 | 47,003 | 11,975 | 10,221 | 59,622 | 57,224 |
| Total Expenditures | 73,867 | 67,376 | 23,630 | 21,967 | 97,497 | 89,343 |
| Excess of Revenues Over (Under) Expenditures | (73,867) | (67,375) | (23,630) | (21,967) | (97,497) | (89,342) |
| OTHER FINANCING SOURCES | | | | | | |
| Proceeds from refunding bond issues | - | 97,870 | - | 89,620 | - | 187,490 |
| Premium on bonds issued | - | 6,630 | - | 6,023 | - | 12,653 |
| Transfer from State Trunkline Fund | 73,867 | 66,693 | - | - | 73,867 | 66,693 |
| Transfer from Comprehensive Transportation Fund | - | - | 23,630 | 21,351 | 23,630 | 21,351 |
| Total Other Financing Sources | 73,867 | 171,193 | 23,630 | 116,994 | 97,497 | 288,187 |
| OTHER FINANCING USES | | | | | | |
| Transfer to Treasury for operations | - | - | - | 1 | - | 1 |
| Payment to refunded bond escrow agent | - | 103,817 | - | 95,027 | - | 198,844 |
| Total Other Financing Uses | - | 103,817 | - | 95,028 | - | 198,845 |
| Excess of Other Sources Over (Under) Other Uses | 73,867 | 67,375 | 23,630 | 21,967 | 97,497 | 89,342 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | - | - | - | - | - | - |
| Fund balances-Beginning of fiscal year | - | - | - | - | - | - |
| Fund balances-End of fiscal year | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUNDS
LAST TEN YEARS
SEPTEMBER 30, 2003
(In Thousands)

| | <u>1993-1994</u> | <u>1994-1995</u> | <u>1995-1996</u> | <u>1996-1997</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| REVENUES AND OTHER SOURCES: | | | | |
| Michigan Transportation Fund | \$ 1,299,440 | \$ 1,361,993 | \$ 1,402,386 | \$ 1,531,558 |
| State Trunkline Fund | | | | |
| Economic Development | 125,479 | 132,328 | 111,438 | 100,715 |
| Traditional Program | 585,596 | 664,417 | 704,757 | 924,447 |
| Blue Water Bridge Fund | - | 529 | 1,386 | 536 |
| Comprehensive Transportation Fund | 189,127 | 215,001 | 219,502 | 228,497 |
| Aeronautics Fund | 68,639 | 76,468 | 94,190 | 91,272 |
| Transportation Related Trust Fund | - | - | - | - |
| 1984 Comprehensive Transportation Bond Proceeds Fund | 10 | - | - | - |
| 1989 State Trunkline Bond Proceeds Fund | 471 | - | 2,381 | 324 |
| 1992 State Trunkline Bond Proceeds Fund | 243,403 | 159,098 | 64,312 | 35,622 |
| 1992 State Trunkline Critical Bridge Bond Proceeds Fund | 710 | 433 | 132 | 111 |
| 1992 Comprehensive Transportation Bond Proceeds Fund | 1,017 | 1,446 | - | 1,064 |
| 1994 State Trunkline Bond Proceeds Fund | 153,363 | 88,044 | 149,869 | 103,710 |
| 1996 State Trunkline Bond Proceeds Fund | - | - | - | 56,391 |
| 2001 Build Michigan III Bond Proceeds | - | - | - | - |
| 2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds | - | - | - | - |
| 2002 & 2003 Comprehensive Transportation Bond Proceeds Fund | - | - | - | - |
| TOTAL REVENUES AND OTHER SOURCES | <u>\$ 2,667,255</u> | <u>\$ 2,699,757</u> | <u>\$ 2,750,353</u> | <u>\$ 3,074,247</u> |
| EXPENDITURES AND OTHER USES: | | | | |
| Michigan Transportation Fund | \$ 1,299,440 | \$ 1,361,993 | \$ 1,402,385 | \$ 1,531,558 |
| State Trunkline Fund | | | | |
| Economic Development | 109,076 | 127,426 | 145,609 | 124,129 |
| Traditional Program | 592,755 | 639,036 | 641,136 | 879,185 |
| Blue Water Bridge Fund | - | 7,998 | 30,001 | - |
| Comprehensive Transportation Fund | 170,091 | 179,070 | 199,578 | 223,501 |
| Aeronautics Fund | 62,843 | 79,254 | 92,574 | 83,243 |
| Transportation Related Trust Fund | - | - | - | - |
| 1984 Comprehensive Transportation Bond Proceeds Fund | 639 | - | - | - |
| 1989 State Trunkline Bond Proceeds Fund | 17,137 | 1,796 | 4,405 | 1,066 |
| 1992 State Trunkline Bond Proceeds Fund | 284,386 | 217,576 | 73,640 | 43,521 |
| 1992 State Trunkline Critical Bridge Bond Proceeds Fund | 12,751 | 10,539 | 4,094 | 157 |
| 1992 Comprehensive Transportation Bond Proceeds Fund | 4,787 | 3,743 | - | 6,569 |
| 1994 State Trunkline Bond Proceeds Fund | 14,861 | 140,602 | 198,243 | 119,378 |
| 1996 State Trunkline Bond Proceeds Fund | - | - | - | 12,695 |
| 2001 Build Michigan III Bond Proceeds | - | - | - | - |
| 2001 & 2002 Build Michigan II Grant Anticipation Note Proceeds | - | - | - | - |
| 2002 & 2003 Comprehensive Transportation Bond Proceeds Fund | - | - | - | - |
| TOTAL EXPENDITURES AND OTHER USES | <u>\$ 2,568,766</u> | <u>\$ 2,769,033</u> | <u>\$ 2,791,664</u> | <u>\$ 3,025,002</u> |

| <u>1997-1998</u> | <u>1998-1999</u> | <u>1999-2000</u> | <u>2000-2001</u> | <u>2001-2002</u> | <u>2002-2003</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,760,457 | \$ 1,844,829 | \$ 1,892,570 | \$ 1,913,540 | \$ 1,974,234 | \$ 2,000,406 |
| 100,287 | 114,030 | 109,260 | 113,111 | 114,264 | 111,868 |
| 1,155,026 | 1,251,440 | 1,537,389 | 1,439,365 | 1,367,935 | 1,317,848 |
| 10,580 | 11,454 | 16,535 | 12,493 | 11,478 | 12,254 |
| 226,155 | 243,990 | 249,647 | 270,656 | 270,695 | 273,277 |
| 70,615 | 74,229 | 93,818 | 133,811 | 155,619 | 122,359 |
| - | - | 224,680 | 244,625 | 277,726 | 281,796 |
| - | - | - | - | - | - |
| 253 | 5,508 | 3,514 | 112 | 41 | 719 |
| 18,373 | 12,288 | 15,312 | 11,914 | 5,087 | 2,168 |
| 104 | 76 | 85 | 13 | 2 | - |
| 900 | 1,985 | 730 | 609 | 104 | 15 |
| 40,051 | 10,615 | 6,984 | 3,110 | 486 | 918 |
| 2,079 | (119) | 9 | 3 | 154 | - |
| - | - | - | 330,576 | 49,090 | 14,684 |
| - | - | - | 410,848 | 218,262 | 13,040 |
| - | - | - | - | 89,179 | 37,641 |
| <u>\$ 3,384,879</u> | <u>\$ 3,570,324</u> | <u>\$ 4,150,531</u> | <u>\$ 4,884,786</u> | <u>\$ 4,534,356</u> | <u>\$ 4,188,993</u> |

| | | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,760,457 | \$ 1,844,829 | \$ 1,892,570 | \$ 1,913,540 | \$ 1,974,234 | \$ 2,000,406 |
| 109,345 | 115,337 | 87,927 | 108,988 | 109,955 | 102,399 |
| 1,089,716 | 1,363,640 | 1,493,359 | 1,385,715 | 1,277,342 | 1,286,783 |
| 5,271 | 5,220 | 7,728 | 12,482 | 10,326 | 8,869 |
| 267,159 | 237,021 | 241,984 | 281,121 | 288,324 | 262,820 |
| 71,914 | 99,057 | 90,195 | 131,899 | 159,609 | 117,691 |
| - | - | 224,680 | 244,625 | 277,726 | 281,796 |
| - | - | - | - | - | - |
| 1,519 | 3,126 | 1,582 | 132 | 314 | 625 |
| 23,027 | 16,050 | 18,886 | 12,667 | 5,970 | 2,194 |
| 580 | 242 | 1,123 | 1 | 262 | - |
| 3,545 | 2,395 | 1,013 | 5,176 | 5,474 | 1,773 |
| 52,368 | 14,228 | 8,281 | 3,688 | 520 | 1,164 |
| 19,862 | 23,776 | 2,257 | (74) | - | - |
| - | - | - | 75,734 | 113,740 | 76,606 |
| - | - | - | 164,805 | 259,282 | 169,588 |
| - | - | - | - | 671 | 21,340 |
| <u>\$ 3,404,762</u> | <u>\$ 3,724,921</u> | <u>\$ 4,071,584</u> | <u>\$ 4,340,498</u> | <u>\$ 4,483,749</u> | <u>\$ 4,334,054</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ECONOMIC DEVELOPMENT FUND
FISCAL YEARS ENDED SEPTEMBER 30, 2003 and 2002
(In Thousands)

| | <u>2003</u> | <u>2002</u> |
|---|-------------------|------------------|
| REVENUES AND OTHER SOURCES | | |
| Licenses and permits | \$ 12,953 | \$ 10,241 |
| Federal aid | 42,100 | 40,225 |
| Local participation | 14,639 | 20,147 |
| Interest earnings | 1,628 | 2,273 |
| Michigan Transportation Fund distribution | 40,275 | 40,275 |
| Miscellaneous | 129 | 708 |
| Operating Transfers In | <u>143</u> | <u>395</u> |
| Total Revenues and Other Sources | <u>111,868</u> | <u>114,264</u> |
| EXPENDITURES AND OTHER USES | | |
| Administration | 706 | 447 |
| Forest roads | 5,008 | 5,025 |
| Target industries-state takeovers | 10,350 | 21,164 |
| Rural county urban system | 3,497 | 3,250 |
| Urban county congestion | 32,742 | 33,856 |
| Rural county primary | 39,142 | 36,859 |
| Debt service | <u>10,954</u> | <u>9,355</u> |
| Total Expenditures and Other Uses | <u>102,399</u> | <u>109,955</u> |
| Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses | <u>9,469</u> | <u>4,308</u> |
| Fund Balances-Beginning of fiscal year | <u>92,115</u> | <u>87,807</u> |
| Fund Balances-End of fiscal year | <u>\$ 101,584</u> | <u>\$ 92,115</u> |

The Economic Development Fund was created as a subfund of the State Trunkline Fund during fiscal year 1987-88. The amounts shown above have been reported as part of the State Trunkline Fund in previous schedules of this report. This supplementary schedule was prepared to provide additional information pertaining specifically to the Economic Development Fund.

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON THE OUTSTANDING BONDS AND NOTES
STATE TRUNKLINE FUND AND COMPREHENSIVE TRANSPORTATION FUND
 SEPTEMBER 30, 2003
 (In Thousands)

Bonds

| FISCAL YEARS ENDING SEPTEMBER 30 | STATE TRUNKLINE FUND | | | COMPREHENSIVE TRANSPORTATION FUND | | | COMBINED TOTAL | | |
|--|----------------------|------------|--------------|--------------------------------------|------------|------------|----------------|------------|--------------|
| | PRINCIPLE | INTEREST | TOTAL | PRINCIPLE | INTEREST | TOTAL | PRINCIPLE | INTEREST | TOTAL |
| 2004 | \$ 27,630 | \$ 44,319 | \$ 71,949 | \$ 16,325 | \$ 13,954 | \$ 30,279 | \$ 43,955 | \$ 58,273 | \$ 102,228 |
| 2005 | 28,925 | 43,485 | 72,410 | 17,790 | 13,376 | 31,166 | 46,715 | 56,861 | 103,576 |
| 2006 | 29,665 | 48,624 | 78,289 | 19,155 | 12,457 | 31,612 | 48,820 | 61,081 | 109,901 |
| 2007 | 30,305 | 48,357 | 78,662 | 20,075 | 11,538 | 31,613 | 50,380 | 59,895 | 110,275 |
| 2008 | 30,990 | 48,023 | 79,013 | 21,170 | 10,493 | 31,663 | 52,160 | 58,516 | 110,676 |
| 2009 | 31,695 | 47,666 | 79,361 | 22,215 | 9,452 | 31,667 | 53,910 | 57,117 | 111,027 |
| 2010 | 32,540 | 44,595 | 77,135 | 23,445 | 8,218 | 31,663 | 55,985 | 52,813 | 108,798 |
| 2011 | 33,570 | 43,902 | 77,472 | 24,655 | 7,004 | 31,659 | 58,225 | 50,906 | 109,131 |
| 2012 | 34,645 | 43,099 | 77,744 | 12,195 | 6,016 | 18,211 | 46,840 | 49,115 | 95,955 |
| 2013 | 35,765 | 42,221 | 77,986 | 12,790 | 5,394 | 18,184 | 48,555 | 47,615 | 96,170 |
| 2014 | 37,330 | 30,839 | 68,169 | 13,435 | 4,736 | 18,171 | 50,765 | 35,575 | 86,340 |
| 2015 | 39,370 | 28,805 | 68,175 | 8,170 | 4,045 | 12,215 | 47,540 | 32,850 | 80,390 |
| 2016 | 41,510 | 26,660 | 68,170 | 8,580 | 3,631 | 12,211 | 50,090 | 30,290 | 80,380 |
| 2017 | 43,805 | 24,362 | 68,167 | 9,020 | 3,196 | 12,216 | 52,825 | 27,557 | 80,382 |
| 2018 | 46,265 | 21,898 | 68,163 | 9,470 | 2,738 | 12,208 | 55,735 | 24,636 | 80,371 |
| 2019 | 48,875 | 19,291 | 68,166 | 9,950 | 2,257 | 12,207 | 58,825 | 21,548 | 80,373 |
| 2020 | 51,505 | 16,668 | 68,173 | 10,470 | 1,742 | 12,212 | 61,975 | 18,410 | 80,385 |
| 2021 | 54,130 | 14,053 | 68,183 | 11,010 | 1,206 | 12,216 | 65,140 | 15,259 | 80,399 |
| 2022 | 56,905 | 11,276 | 68,181 | 11,570 | 642 | 12,212 | 68,475 | 11,918 | 80,393 |
| 2023 | 25,335 | 9,197 | 34,532 | 2,490 | 118 | 2,608 | 27,825 | 9,315 | 37,140 |
| 2024 | 26,645 | 7,897 | 34,542 | - | - | - | 26,645 | 7,897 | 34,542 |
| 2025 | 28,010 | 6,531 | 34,541 | - | - | - | 28,010 | 6,531 | 34,541 |
| 2026 | 18,785 | 5,361 | 24,146 | - | - | - | 18,785 | 5,361 | 24,146 |
| 2027 | 19,770 | 4,377 | 24,147 | - | - | - | 19,770 | 4,377 | 24,147 |
| 2028 | 16,970 | 3,417 | 20,387 | - | - | - | 16,970 | 3,417 | 20,387 |
| 2029 | 17,885 | 2,502 | 20,387 | - | - | - | 17,885 | 2,502 | 20,387 |
| 2030 | 18,850 | 1,538 | 20,388 | - | - | - | 18,850 | 1,538 | 20,388 |
| 2031 | 19,870 | 522 | 20,392 | - | - | - | 19,870 | 522 | 20,392 |
| TOTAL | \$ 927,545 | \$ 689,484 | \$ 1,617,029 | \$ 283,980 | \$ 122,211 | \$ 406,191 | \$ 1,211,525 | \$ 811,695 | \$ 2,023,220 |

Notes

| FISCAL YEARS ENDING SEPTEMBER 30 | PRINCIPLE | INTEREST* | TOTAL | PRINCIPLE | INTEREST | TOTAL | PRINCIPLE | INTEREST | TOTAL |
|--|------------|------------|------------|-----------|----------|-------|------------|------------|------------|
| 2004 | - | 18,000 | 18,000 | - | - | - | - | 18,000 | 18,000 |
| 2005 | 20,000 | 24,000 | 44,000 | - | - | - | 20,000 | 24,000 | 44,000 |
| 2006 | 80,000 | 23,200 | 103,200 | - | - | - | 80,000 | 23,200 | 103,200 |
| 2007 | 140,000 | 20,000 | 160,000 | - | - | - | 140,000 | 20,000 | 160,000 |
| 2008 | 160,000 | 14,400 | 174,400 | - | - | - | 160,000 | 14,400 | 174,400 |
| 2009 | 200,000 | 8,000 | 208,000 | - | - | - | 200,000 | 8,000 | 208,000 |
| Total | \$ 600,000 | \$ 107,600 | \$ 707,600 | \$ - | \$ - | \$ - | \$ 600,000 | \$ 107,600 | \$ 707,600 |

* Interest payments are estimated at 3% in fiscal years 2003 & 2004 and 4% in the remaining fiscal years.

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2003
(In Thousands)

| | <u>Totals</u> | <u>Preliminary Engineering</u> | <u>Right-of-Way</u> |
|--|---------------------|------------------------------------|---------------------|
| STATE TRUNKLINE FUND | | | |
| Roads and bridges | \$ 801,529 | \$ 104,837 | \$ 30,779 |
| Economic development fund | 90,740 | 311 | 679 |
| Work orders - state facilities | <u>9,633</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>901,901</u> | <u>105,148</u> | <u>31,458</u> |
| BLUE WATER BRIDGE FUND | <u>2,204</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>2,204</u> | <u>-</u> | <u>-</u> |
| STATE AERONAUTICS AND GENERAL FUNDS | | | |
| Airport development | <u>111,298</u> | <u>12,567</u> | <u>10,195</u> |
| Subtotal | <u>111,298</u> | <u>12,567</u> | <u>10,195</u> |
| COMPREHENSIVE TRANSPORTATION FUND | | | |
| Rail freight | 5,885 | - | - |
| Bus transit | 28,734 | - | - |
| Intercity bus, rail, water | <u>7,815</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>42,434</u> | <u>-</u> | <u>-</u> |
| BOND FUNDS | | | |
| 1989 State Trunkline | 625 | 517 | - |
| 1992 State Trunkline | 2,194 | 1,668 | 329 |
| 1992 Comprehensive Transportation | 385 | - | - |
| 1994 State Trunkline | 1,164 | 12 | 324 |
| 1996 State Trunkline | - | - | - |
| 2001 State Trunkline BM3 | 76,606 | 11,588 | 7,178 |
| 2001 & 2002 State Trunkline BM2 | 169,588 | - | - |
| 2002 & 2003 Comprehensive Transportation | <u>21,340</u> | <u>309</u> | <u>2</u> |
| Subtotal | <u>271,901</u> | <u>14,093</u> | <u>7,833</u> |
| Total Capital Acquisitions | <u>\$ 1,329,738</u> | <u>\$ 131,808</u> | <u>\$ 49,486</u> |

| <u>Utility Relocation</u> | <u>Physical Construction</u> | <u>Construction Supervision</u> | <u>Special Projects</u> | <u>Other Activities</u> |
|-------------------------------|----------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| \$ 951 | \$ 599,889 | \$ 49,677 | \$ 239 | \$ 15,156 |
| - | 80,673 | 806 | - | 8,272 |
| - | - | - | - | 9,633 |
| <u>951</u> | <u>680,562</u> | <u>50,482</u> | <u>239</u> | <u>33,061</u> |
| - | - | - | - | 2,204 |
| - | - | - | - | 2,204 |
| - | 124,273 | 13,447 | - | (49,184) |
| - | 124,273 | 13,447 | - | (49,184) |
| - | - | - | - | 5,885 |
| - | - | - | - | 28,734 |
| - | - | - | - | 7,815 |
| - | - | - | - | 42,434 |
| - | - | - | - | 108 |
| 81 | 56 | 56 | - | 4 |
| - | 217 | - | - | 168 |
| - | 366 | 318 | - | 144 |
| - | - | - | - | - |
| - | 76,733 | 4,593 | - | (23,485) |
| - | 116,862 | 12,765 | - | 39,961 |
| - | 5,958 | 21 | - | 15,049 |
| <u>81</u> | <u>200,192</u> | <u>17,753</u> | <u>-</u> | <u>31,949</u> |
| <u>\$ 1,032</u> | <u>\$ 1,005,027</u> | <u>\$ 81,682</u> | <u>\$ 239</u> | <u>\$ 60,464</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY
FISCAL YEAR ENDED SEPTEMBER 30, 2002
(In Thousands)

| | <u>Totals</u> | <u>Preliminary Engineering</u> | <u>Right-of-Way</u> |
|--|---------------------|------------------------------------|---------------------|
| STATE TRUNKLINE FUND | | | |
| Roads and bridges | \$ 797,212 | \$ 104,161 | \$ 26,116 |
| Economic development fund | 100,153 | 161 | 340 |
| Work orders - state facilities | <u>12,654</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>910,020</u> | <u>104,321</u> | <u>26,456</u> |
| BLUE WATER BRIDGE FUND | <u>4,040</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>4,040</u> | <u>-</u> | <u>-</u> |
| STATE AERONAUTICS AND GENERAL FUNDS | | | |
| Airport development | <u>152,868</u> | <u>4,983</u> | <u>13,129</u> |
| Subtotal | <u>152,868</u> | <u>4,983</u> | <u>13,129</u> |
| COMPREHENSIVE TRANSPORTATION FUND | | | |
| Rail freight | 5,014 | - | - |
| Bus transit | 39,755 | - | - |
| Intercity bus, rail, water | <u>6,274</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>51,042</u> | <u>-</u> | <u>-</u> |
| BOND FUNDS | | | |
| 1989 State Trunkline | 314 | 181 | 1 |
| 1992 State Trunkline | 5,967 | 2,573 | 530 |
| 1992 Comprehensive Transportation | 5,811 | - | - |
| 1994 State Trunkline | 520 | 45 | 136 |
| 1996 State Trunkline | - | - | - |
| 2001 State Trunkline BM3 | 113,740 | 7,176 | 4,803 |
| 2001 & 2002 State Trunkline BM2 | 259,282 | - | - |
| 2002 Comprehensive Transportation | <u>-</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>385,634</u> | <u>9,975</u> | <u>5,470</u> |
| Total Capital Acquisitions | <u>\$ 1,503,603</u> | <u>\$ 119,279</u> | <u>\$ 45,055</u> |

| <u>Utility Relocation</u> | <u>Physical Construction</u> | <u>Construction Supervision</u> | <u>Special Projects</u> | <u>Other Activities</u> |
|-------------------------------|----------------------------------|-------------------------------------|-----------------------------|-----------------------------|
| \$ 2,559 | \$ 572,560 | \$ 47,532 | \$ - | \$ 44,285 |
| - | 90,133 | 607 | - | 8,913 |
| - | - | - | - | 12,654 |
| <u>2,559</u> | <u>662,693</u> | <u>48,140</u> | <u>-</u> | <u>65,851</u> |
| - | - | - | - | 4,040 |
| - | - | - | - | 4,040 |
| - | 74,070 | 6,499 | - | 54,186 |
| - | 74,070 | 6,499 | - | 54,186 |
| - | - | - | - | 5,014 |
| - | - | - | - | 39,755 |
| - | - | - | - | 6,274 |
| - | - | - | - | 51,042 |
| - | - | - | - | 133 |
| 571 | 193 | 47 | - | 2,053 |
| - | - | - | - | 5,811 |
| - | 277 | 70 | - | (8) |
| - | - | - | - | - |
| 12 | 88,559 | 5,041 | - | 8,148 |
| - | 246,804 | 21,844 | - | (9,366) |
| - | - | - | - | - |
| <u>582</u> | <u>335,834</u> | <u>27,002</u> | <u>-</u> | <u>6,771</u> |
| <u>\$ 3,141</u> | <u>\$ 1,072,597</u> | <u>\$ 81,641</u> | <u>\$ -</u> | <u>\$ 181,890</u> |

MICHIGAN DEPARTMENT OF TRANSPORTATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002
 (In Thousands)

| GRANTOR AGENCY/ FEDERAL ASSISTANCE PROGRAM TITLE | CATALOG OF FEDERAL DOMESTIC ASSISTANCE PROGRAM NUMBER | AMOUNT OF AWARD | |
|---|--|-----------------------|--------|
| | | 2003 | 2002 |
| Federal Highway Administration: | | | |
| Highway Research Planning and Construction (A) | 20.205 | \$ N/A | \$ N/A |
| Inter-City Motor Carrier Bus Safety Inspection Program (B) | 20.218 | 115 | 146 |
| Total Federal Highway Administration: | | | |
| Federal Aviation Administration: | | | |
| Airport Improvement Program (C) | 20.106 | N/A | N/A |
| Total Federal Aviation Administration: | | | |
| Federal Railroad Administration: | | | |
| Rail Capital and Operating Assistance | 20.312 | - | - |
| Total Federal Railroad Administration: | | | |
| Federal Transit Administration: | | | |
| Section 5309 - Capital Investment Program | 20.500 | 5,168 | 9,449 |
| Section 5311 - Public Transportation for Non-Urbanized Areas/Operating | 20.509 | 6,645 | 6,289 |
| Section 5311 - Public Transportation for Non-Urbanized Areas/Capital | 20.509 | - | 4,177 |
| Section 5303 - Metropolitan Planning Program | 20.505 | 5,361 | 351 |
| Section 5307 - Urbanized Area Formula Program | 20.507 | - | - |
| Section 5310 - Elderly and Persons with Disabilities Program | 20.513 | - | 6,435 |
| Section 5313(b) - State Planning and Research Program | 20.515 | 445 | 2,368 |
| Section 3037-Job Access and Reverse Commute Program | 20.516 | 814 | - |
| Total Federal Transit Administration: | | | |
| DEPARTMENT TOTAL: | | | |

| AMOUNTS TRANSFERRED TO OTHER STATE AGENCIES | | EXPENDITURE OF FEDERAL FUNDS DIRECTLY EXPENDED BY DEPARTMENT | | DISTRIBUTED TO NON-STATE SUBRECIPIENTS | | TOTAL | |
|--|------|--|------------|--|-----------|------------|------------|
| 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| \$ - | \$ - | \$ 726,372 | \$ 771,635 | \$ 39,751 | \$ 37,073 | \$ 766,124 | \$ 808,708 |
| - | - | 114 | 96 | - | - | 114 | 96 |
| \$ - | \$ - | \$ 726,486 | \$ 771,731 | \$ 39,751 | \$ 37,073 | \$ 766,237 | \$ 808,804 |
| \$ - | \$ - | \$ 50,674 | \$ 90,602 | \$ 24,281 | \$ 15,521 | \$ 74,955 | \$ 106,123 |
| \$ - | \$ - | \$ 50,674 | \$ 90,602 | \$ 24,281 | \$ 15,521 | \$ 74,955 | \$ 106,123 |
| \$ - | \$ - | \$ 2,426 | \$ 584 | \$ - | \$ - | \$ 2,426 | \$ 584 |
| \$ - | \$ - | \$ 2,426 | \$ 584 | \$ - | \$ - | \$ 2,426 | \$ 584 |
| \$ - | \$ - | \$ 231 | \$ (765) | \$ 8,954 | \$ 13,713 | \$ 9,185 | \$ 12,948 |
| - | - | 331 | 18 | 6,482 | 6,484 | 6,813 | 6,502 |
| - | - | 1,428 | 972 | 2,229 | 2,039 | 3,657 | 3,011 |
| - | - | - | 57 | 1,814 | 2,197 | 1,814 | 2,254 |
| - | - | - | - | 321 | 202 | 321 | 202 |
| - | - | 134 | 45 | 1,943 | 3,310 | 2,077 | 3,355 |
| - | - | (10) | 6 | 701 | 797 | 691 | 803 |
| - | - | (63) | 64 | 336 | 167 | 273 | 231 |
| \$ - | \$ - | \$ 2,051 | \$ 397 | \$ 22,780 | \$ 28,909 | \$ 24,831 | \$ 29,306 |
| \$ - | \$ - | \$ 781,637 | \$ 863,314 | \$ 86,813 | \$ 81,503 | \$ 868,450 | \$ 944,817 |

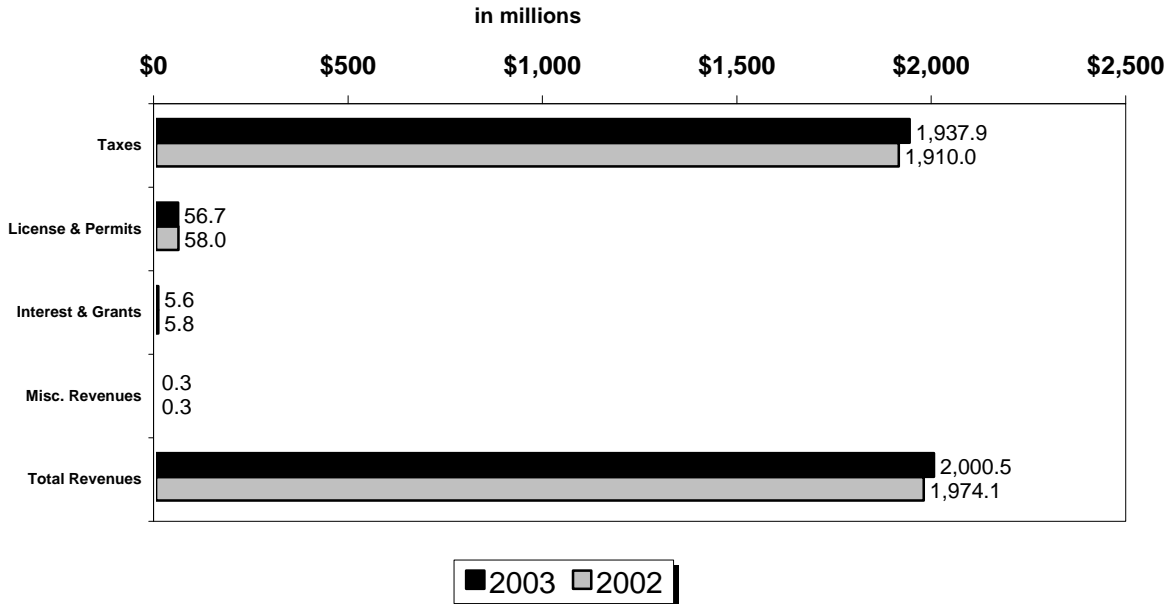
MICHIGAN DEPARTMENT OF TRANSPORTATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

- (A) The amount of the award for the Federal Highway Administration (FHWA) highway research planning and construction program is not stated because federal financial assistance is allocated to the Department in annual apportionments, rather than grants. Any unused apportionment is carried forward into the next fiscal year. Projects programmed are not linked to a specific apportionment or obligational authority.
- (B) The amount of the award for the Federal Aviation Administration (FAA) airport improvement program is not stated because federal financial assistance is awarded to locally owned airports, and the amount of grants is not available.

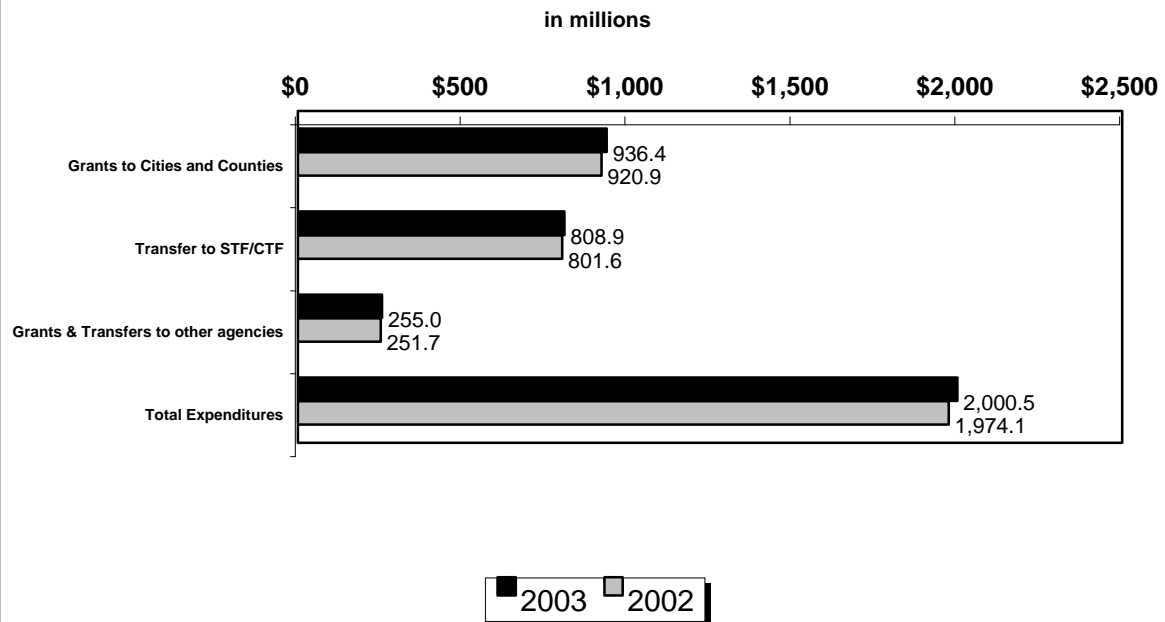
MICHIGAN DEPARTMENT OF TRANSPORTATION MICHIGAN TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

REVENUES AND OTHER SOURCES



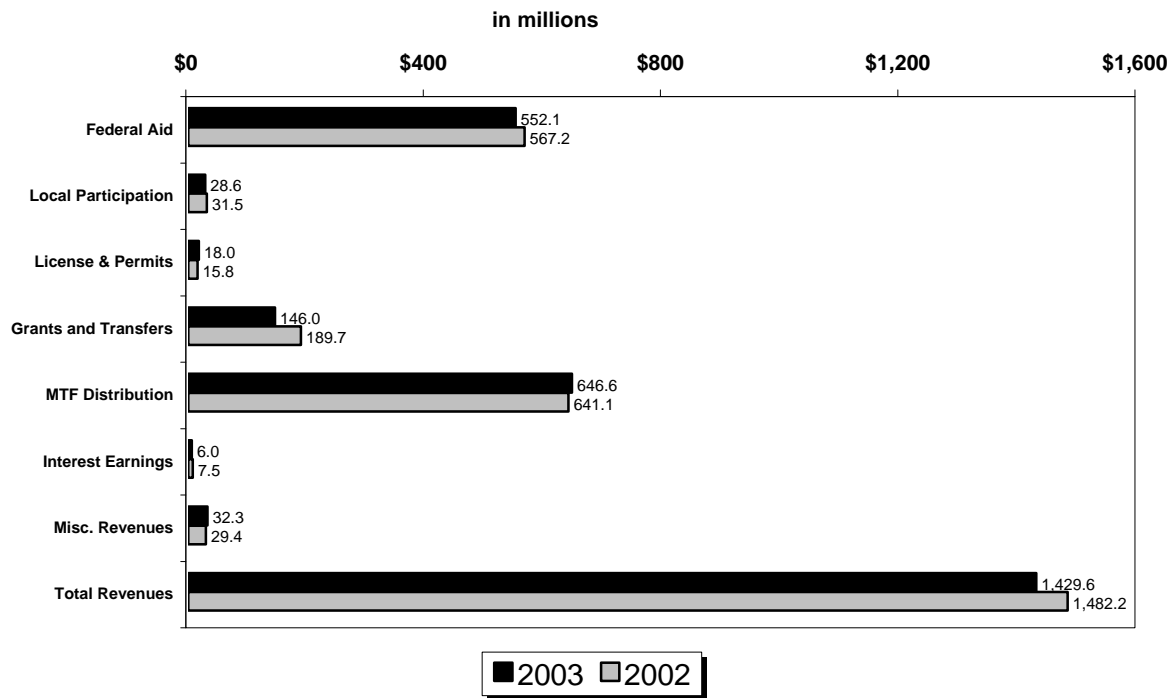
EXPENDITURES AND OTHER USES



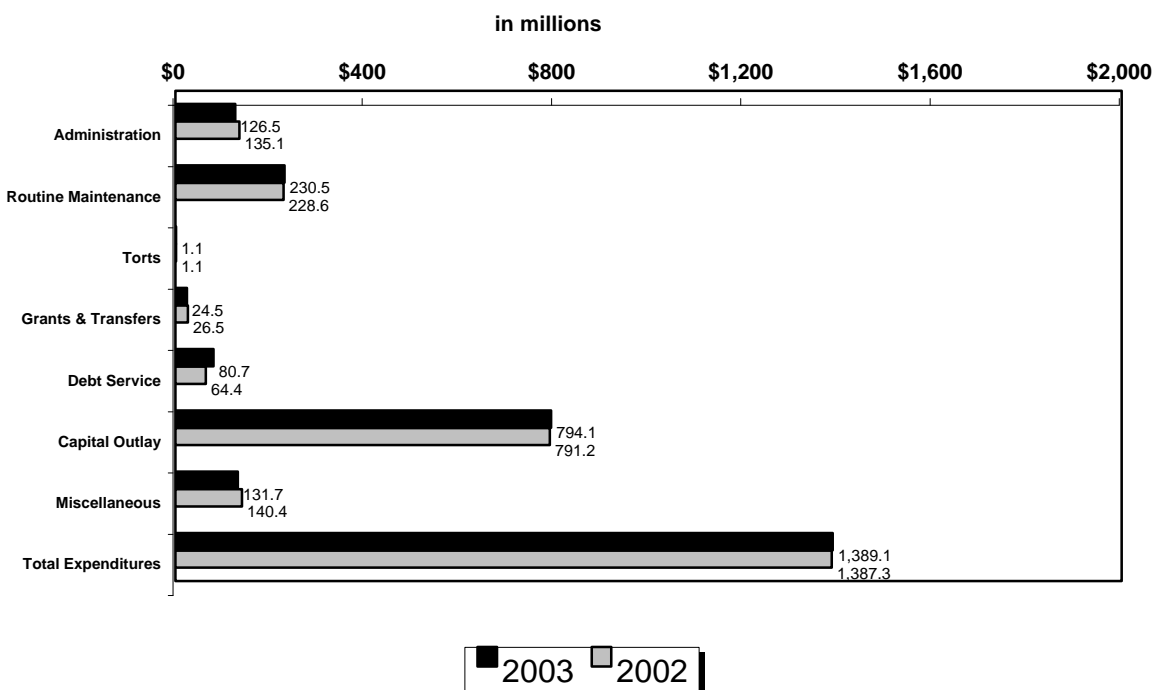
MICHIGAN DEPARTMENT OF TRANSPORTATION STATE TRUNKLINE FUND GRAPHICS

Includes Economic Development Fund

REVENUES AND OTHER SOURCES



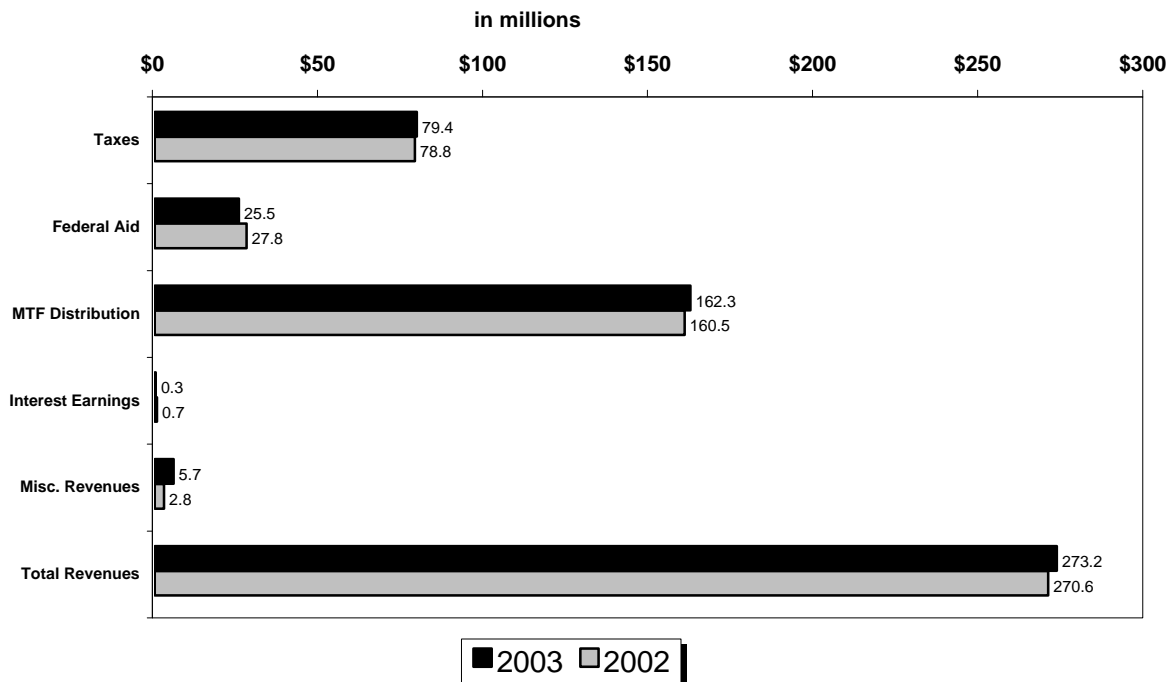
EXPENDITURES AND OTHER USES



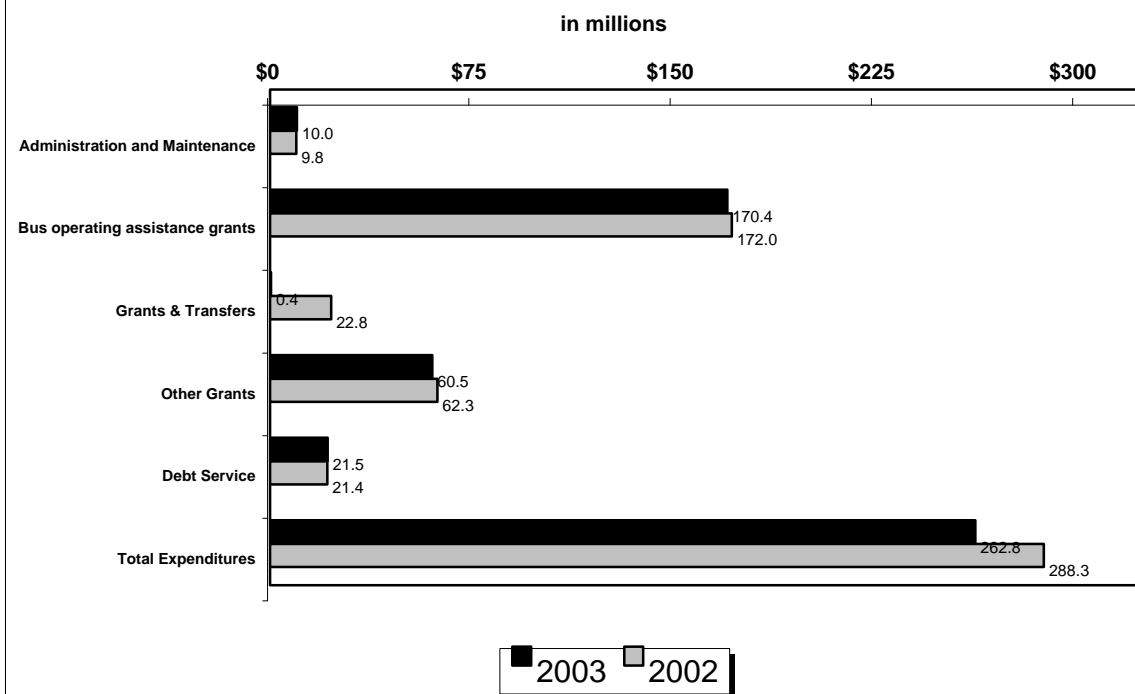
MICHIGAN DEPARTMENT OF TRANSPORTATION COMPREHENSIVE TRANSPORTATION FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

REVENUES AND OTHER SOURCES

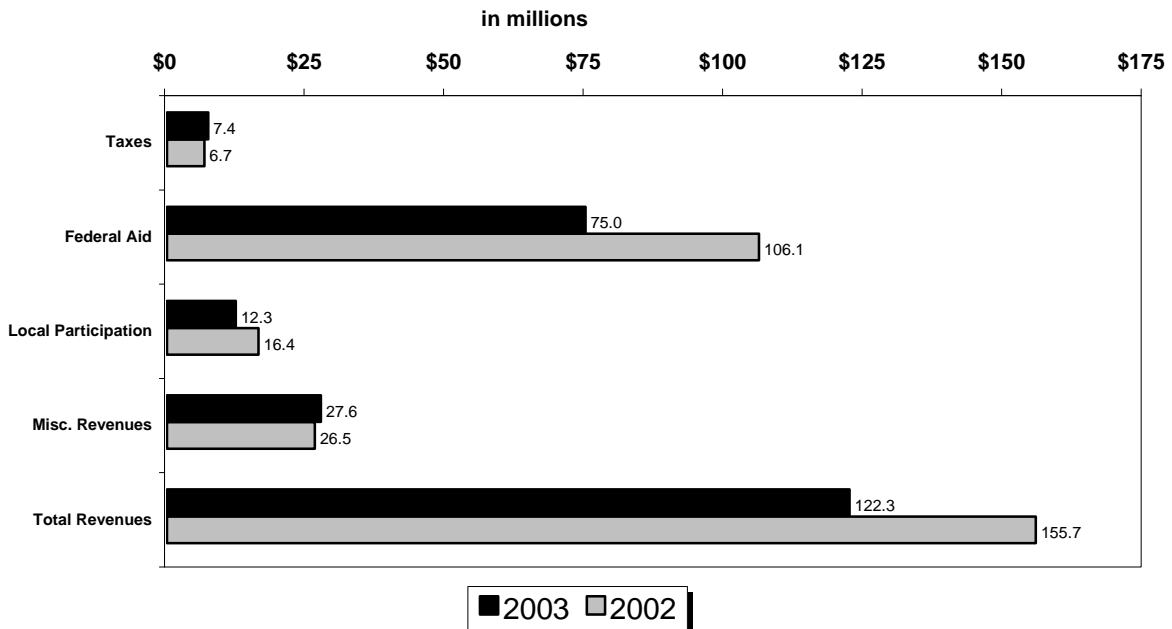


EXPENDITURES AND OTHER USES

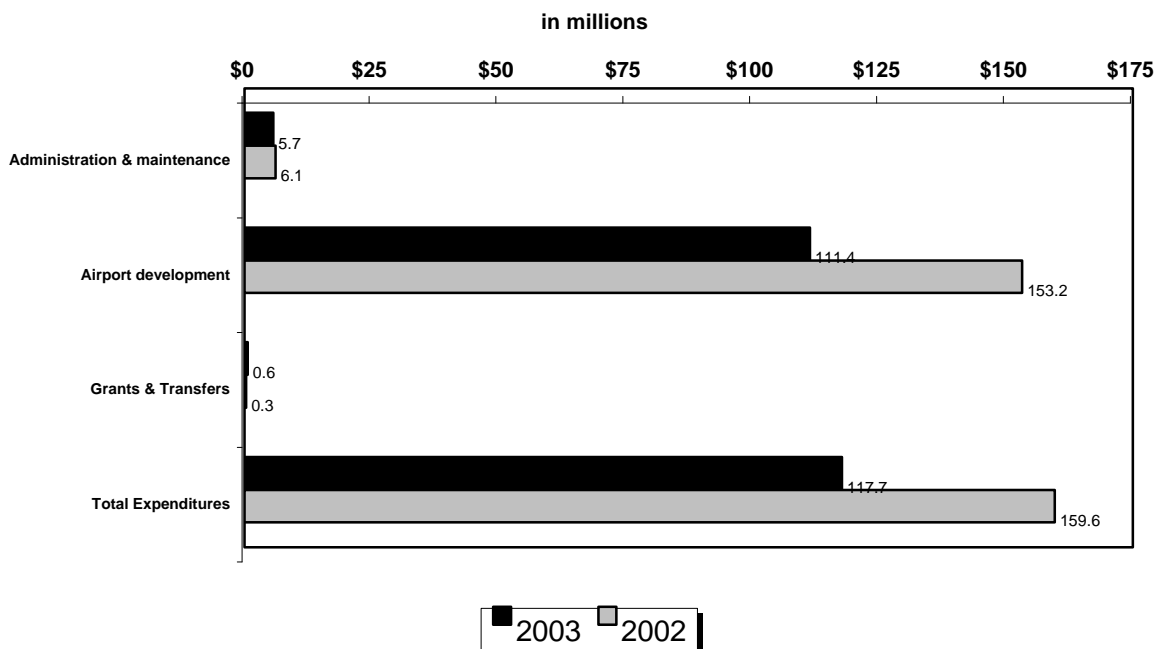


MICHIGAN DEPARTMENT OF TRANSPORTATION
STATE AERONAUTICS FUND GRAPHICS
FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

REVENUES AND OTHER SOURCES



EXPENDITURES AND OTHER USES

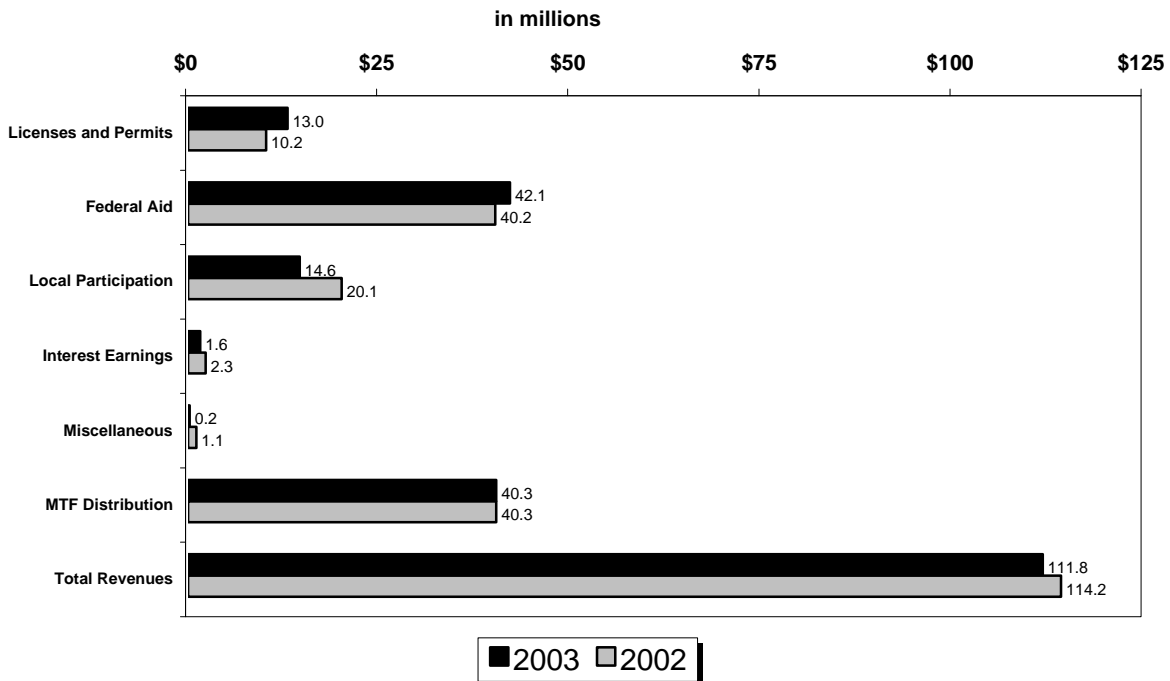


MICHIGAN DEPARTMENT OF TRANSPORTATION

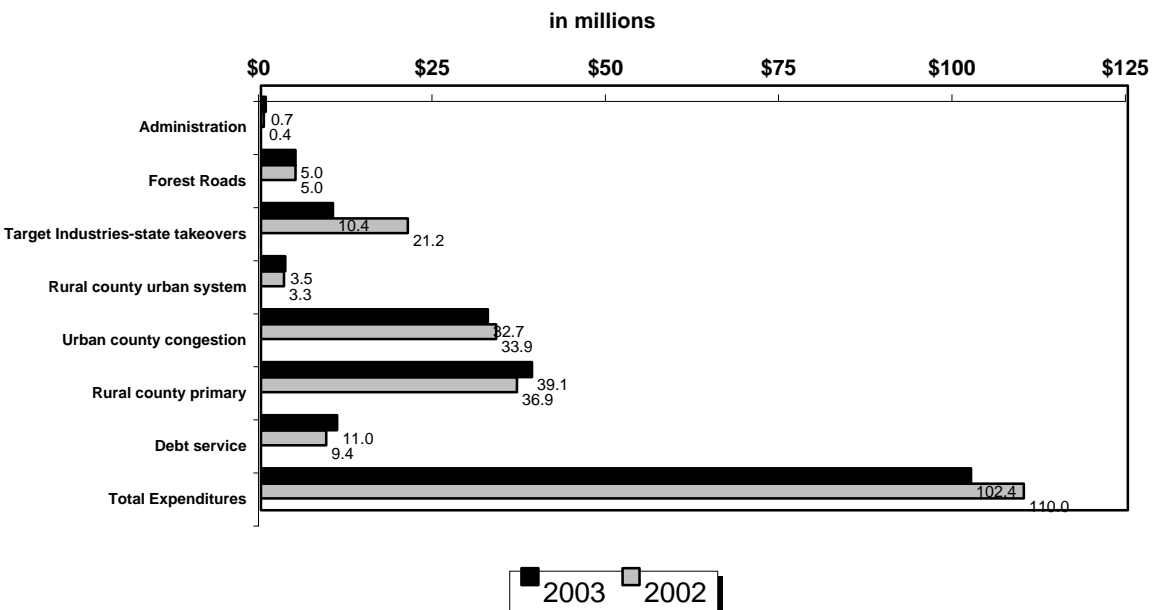
ECONOMIC DEVELOPMENT FUND GRAPHICS

FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

REVENUES AND OTHER SOURCES

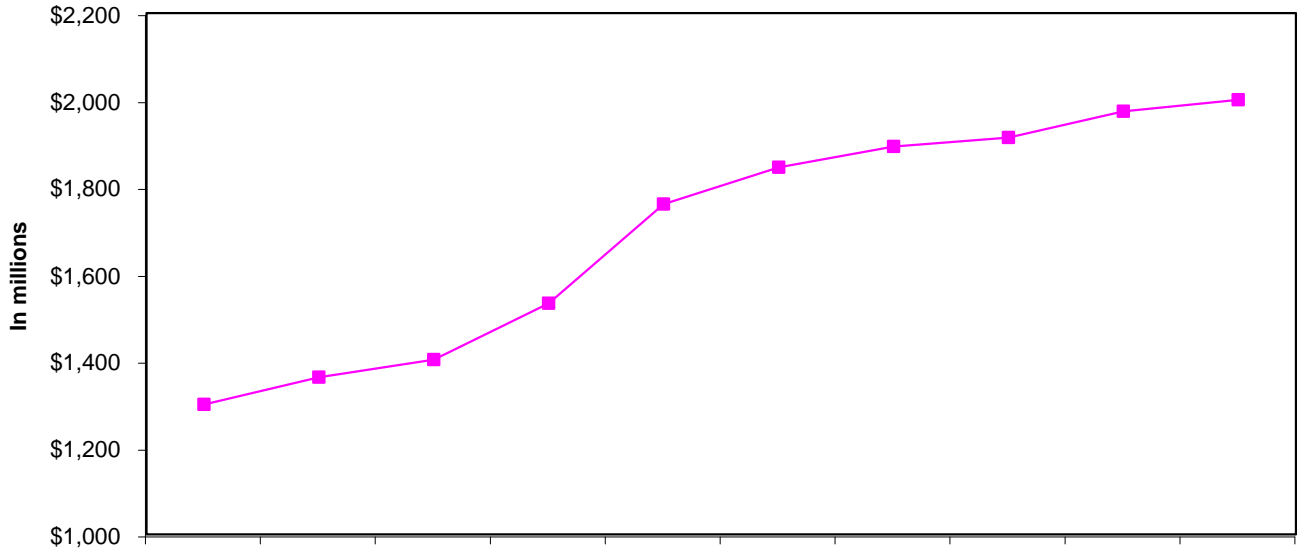


EXPENDITURES AND OTHER USES



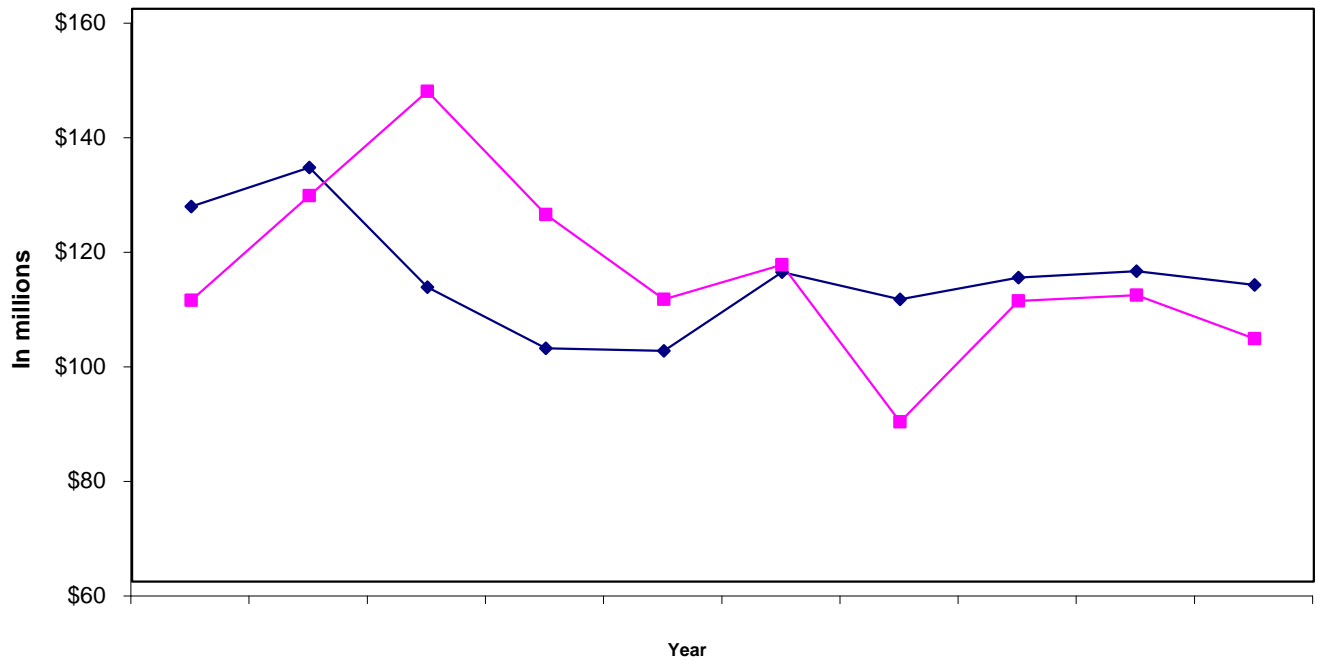
MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY

REVENUE AND EXPENDITURE HISTORY
MICHIGAN TRANSPORTATION FUND



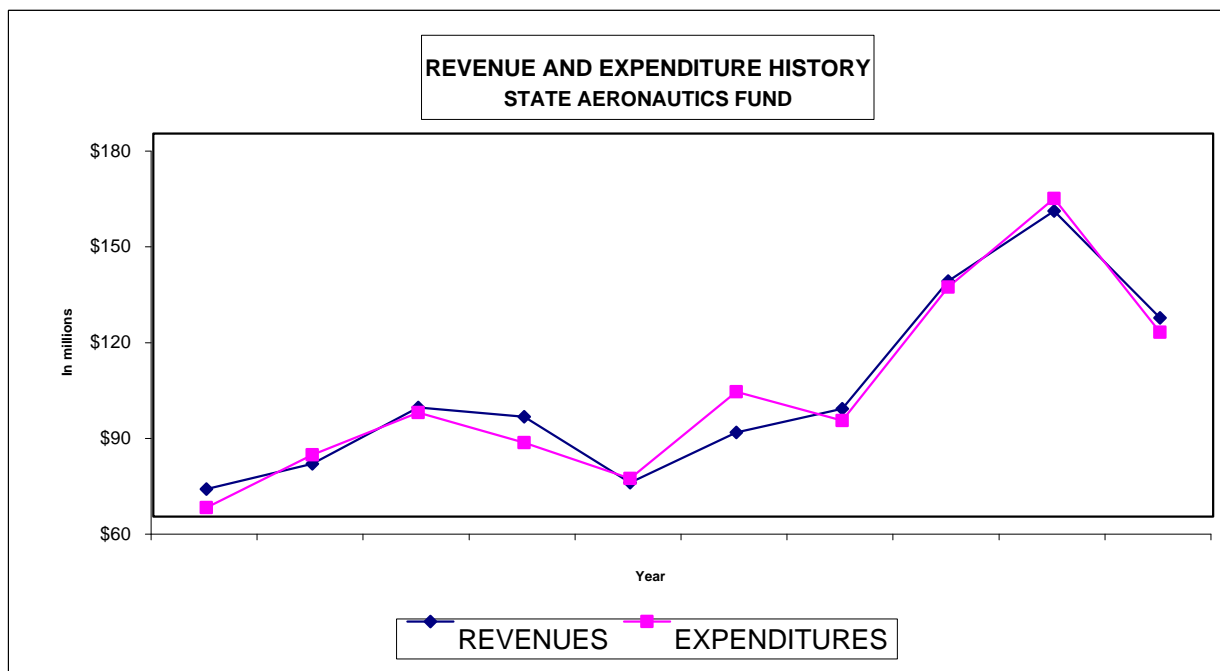
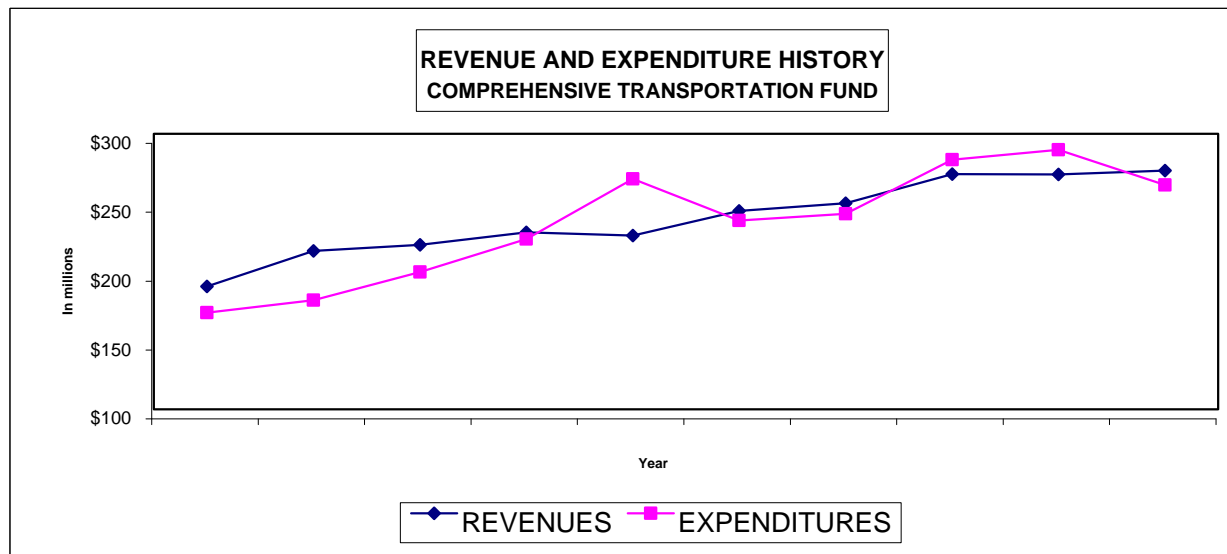
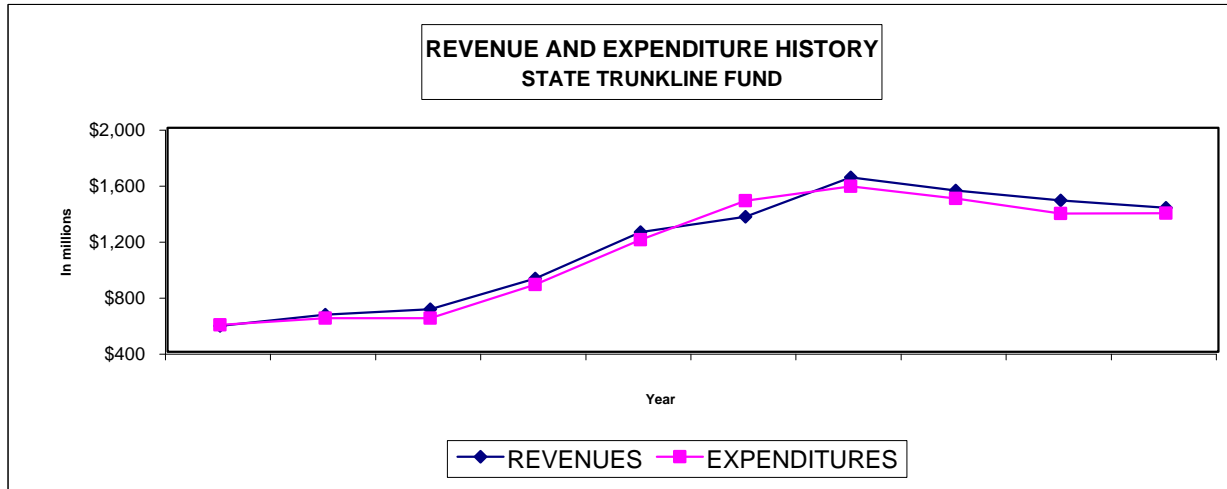
MICHIGAN TRANSPORTATION FUND REVENUES EQUAL EXPENDITURES

REVENUE AND EXPENDITURE HISTORY
ECONOMIC DEVELOPMENT FUND



REVENUES EXPENDITURES

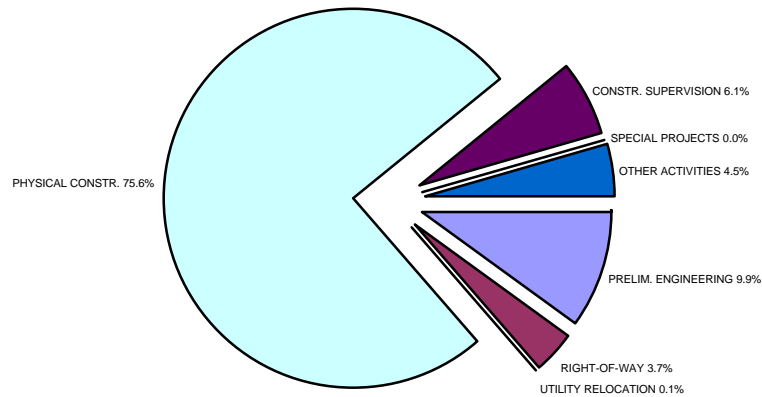
MICHIGAN DEPARTMENT OF TRANSPORTATION TEN YEAR REVENUE AND EXPENDITURE HISTORY



MICHIGAN DEPARTMENT OF TRANSPORTATION
TOTAL TRANSPORTATION
CONSTRUCTION AND CAPITAL PROPERTY ACQUISITIONS
BY FUNCTIONAL ACTIVITY

FISCAL YEARS ENDED SEPTEMBER 30, 2003 AND 2002

2003

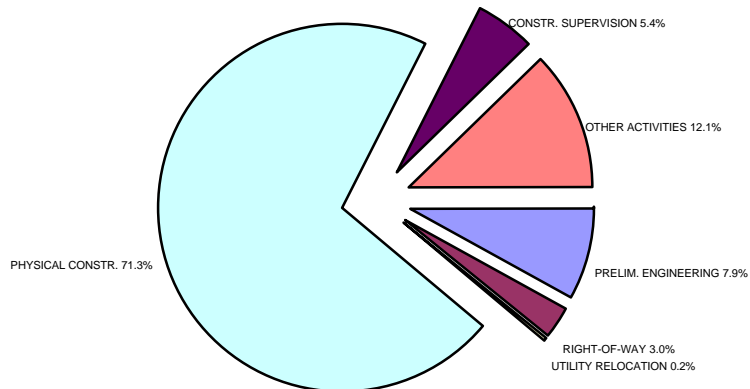


FISCAL YEAR 2003 **AMOUNT**

(In Thousands)

| | |
|---------------------|---------------------|
| PRELIM. ENGINEERING | \$ 131,808 |
| RIGHT-OF-WAY | 49,486 |
| UTILITY RELOCATION | 1,032 |
| PHYSICAL CONSTR. | 1,005,027 |
| CONSTR. SUPERVISION | 81,682 |
| SPECIAL PROJECTS | 239 |
| OTHER ACTIVITIES | 60,464 |
| TOTAL | \$ 1,329,738 |

2002



FISCAL YEAR 2002 **AMOUNT**

(In Thousands)

| | |
|---------------------|---------------------|
| PRELIM. ENGINEERING | \$ 119,279 |
| RIGHT-OF-WAY | 45,055 |
| UTILITY RELOCATION | 3,141 |
| PHYSICAL CONSTR. | 1,072,597 |
| CONSTR. SUPERVISION | 81,641 |
| OTHER ACTIVITIES | 181,890 |
| TOTAL | \$ 1,503,603 |